INOVALIS REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019, and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements of INOVALIS REIT and the other financial information contained in the Annual Report have been prepared by, and are the responsibility of, the management, which is responsible for the integrity and fairness of the financial information presented. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, which comprises trustees, meets with management as well as the external auditor to satisfy itself that management is properly discharging its financial responsibilities and to review its Consolidated Financial Statements and the report of the auditor. The Audit Committee reports its findings to the Board of Trustees, which approves the Consolidated Financial Statements.

Ernst & Young LLP, the independent auditor, has audited the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the Audit Committee, with or without management present.

David Giraud
Chief Executive Officer

Khalil Hankach
Chief Financial Officer

Toronto, Canada, April 9, 2020

Independent auditor's report

To the unitholders of
Inovalis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of **Inovalis Real Estate Investment Trust** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 34 of the consolidated financial statements, which explains that the consolidated financial statements for the year ended December 31, 2018 have been restated from those on which we originally reported on April 1, 2019. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sylvain Boucher.

Ernst & Young LLP [1]

Montréal, Canada
April 9, 2020

[1] CPA auditor, CA, public accountancy permit no. A113209

Inovalis Real Estate Investment Trust
Consolidated Balance Sheets
As at December 31,

(All dollar amounts in thousands of Canadian dollars)

Assets	Note	2019	2018 restated (Note 34)
Non-current assets			
Investment properties	7	**478 700**	421 937
Investments in joint ventures	8	**100 782**	97 604
Acquisition loan	9	**-**	25 719
Derivative financial instruments	10	**10**	306
Restricted cash	14	**4 705**	1 644
Total non-current assets		**584 197**	**547 210**
Current assets			
Trade receivables and other financial assets	11	**4 437**	4 000
Derivative financial instruments	10	**10 828**	6 814
Acquisition loan	9	**24 744**	-
Other current assets	12	**2 093**	1 080
Restricted cash	14	**498**	-
Cash	-	**83 409**	19 110
Total current assets		**126 009**	**31 004**
Assets held for sale	13	**-**	40 027
Total assets		**710 206**	**618 241**

Liabilities and equity	Note	2019	2018 restated (Note 34)
Non-current liabilities			
Interest-bearing loan	16	**473**	-
Mortgage loans	16	**130 162**	83 391
Lease liabilities	16	**116 968**	120 547
Lease equalization loans	17	**343**	2 130
Tenant deposits	-	**1 930**	2 180
Derivative financial instruments	10	**2 734**	1 396
Deferred tax liabilities	25 - 34	**12 295**	14 169
Exchangeable securities	18	**2 695**	4 779
Deferred income	-	**-**	1 099
Total non-current liabilities		**267 600**	**229 691**
Current liabilities			
Interest-bearing loan	16	**4**	-
Promissory notes	15	**47 909**	42 471
Mortgage loans	16	**4 198**	14 588
Lease liabilities	16	**6 910**	6 637
Lease equalization loans	17	**1 676**	1 185
Tenant deposits	-	**577**	687
Derivative financial instruments	10	**1 494**	1 207
Exchangeable securities	18	**6 867**	3 203
Trade and other payables	19	**34 336**	7 145
Deferred income	-	**5 491**	4 394
Total current liabilities		**109 462**	**81 517**
Liabilities directly associated with assets held for sale	13	**-**	21 792
Total liabilities		**377 062**	**333 000**
Equity			
Trust units	-	**259 526**	207 442
Retained earnings	-	**57 827**	41 283
Accumulated other comprehensive income	27	**14 591**	35 997
Total Unitholders' equity		**331 944**	**284 722**
Non-controlling interest	21	**1 200**	519
Total equity		**333 144**	**285 241**
Total liabilities and equity		**710 206**	**618 241**

See accompanying notes to Consolidated Financial Statements

On behalf of the Board of Trustees of Inovalis Real Estate Investment Trust:

Daniel Argiros
Chairman and Trustee

Jo-Ann Lempert
Audit Chair and Trustee

Inovalis Real Estate Investment Trust
Consolidated Statements of Earnings
For the years ended December 31,

(All dollar amounts in thousands of Canadian dollars, except for per unit amounts)

	Note	2019	2018 restated (Note 34)
Rental revenue	*22*	**25,524**	25,434
Property operating cost recoveries	*22*	**7,966**	7,248
Property operating costs	-	**(10,586)**	(9,668)
Other revenues	-	**447**	804
Other property operating expenses	-	**(362)**	(289)
Net rental income		**22,989**	**23,529**
Administration expenses	*23*	**(6,548)**	(5,223)
Foreign exchange gain	-	**-**	120
Net change in fair value of investment properties	*7*	**16,722**	335
Loss on disposal of investment properties	*13*	**(56)**	-
Share of net income from joint ventures	*8*	**11,782**	5,850
Operating earnings		**44,889**	**24,611**
Net change in fair value of financial derivatives	-	**815**	4,372
Net change in fair value of Exchangeable securities	*18*	**(871)**	1,482
Net change in fair value of Promissory notes	*33*	**(5,438)**	1,020
Finance income	*24*	**8,848**	7,775
Finance costs	*24*	**(10,191)**	(10,274)
Distributions on Exchangeable securities	*18*	**(708)**	(1,016)
Income before income taxes		**37,344**	**27,970**
Current income tax expense	*25*	**(1,733)**	(131)
Deferred income tax recovery (expense)	*25 - 34*	**920**	(12,234)
Net income		**36,531**	**15,605**
Net income attributable to :			
Non-controlling interest	-	**82**	144
Unitholders of the Trust	-	**36,449**	15,461
		36,531	**15,605**

See accompanying notes to Consolidated Financial Statements

Inovalis Real Estate Investment Trust
Consolidated Statements of Comprehensive income
For the years ended December 31,
(All dollar amounts in thousands of Canadian dollars)

	Note	2019	2018 restated (Note 34)
Net income for the year	-	**36,531**	**15,605**
Other comprehensive loss			
Items that may be reclassified subsequently to income :			
Net losses on derivatives designated as a hedge of the net investment in a foreign entity	-	**1,600**	(299)
Derivatives designated as cash flow hedges - Net gains (losses)	-	**404**	673
Change in cumulative translation adjustment account	-	**(23,442)**	11,209
Other comprehensive income (loss)		**(21,438)**	**11,583**
Total comprehensive income		**15,093**	**27,188**
Total comprehensive income attributable to :			
Non-controlling interest	-	**50**	166
Unitholders of the Trust	-	**15,043**	27,022
Total comprehensive income		**15,093**	**27,188**

Consolidated Statements of Changes in Equity
For the years ended December 31,
(All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2017		22,235,421	195,739	44,749	24,436	264,924	353	265,277
Issuance of units from exchangeable securities conversion	*20*	1,064,437	9,559	-	-	9,559	-	9,559
Distributions earned by or declared to Unitholders	*26*	-	-	(18,927)	-	(18,927)	-	(18,927)
Distributions under the Trust's reinvestment plan	*26*	213,794	2,144	-	-	2,144	-	2,144
		1,278,231	11,703	(18,927)	-	(7,224)	-	(7,224)
Net income for the year as restated	*34*	-	-	15,461	-	15,461	144	15,605
Other comprehensive income as restated	*34*	-	-	-	11,561	11,561	22	11,583
Comprehensive income as restated		-	-	15,461	11,561	27,022	166	27,188
As at December 31, 2018 as restated	*34*	**23,513,652**	**207,442**	**41,283**	**35,997**	**284,722**	**519**	**285,241**
Issuance of units from exchangeable securities conversion	*20*	**90,500**	**792**	**-**	**-**	**792**	**-**	**792**
Issuance of units	*20*	**4,835,110**	**51,494**	**-**	**-**	**51,494**	**-**	**51,494**
Issuance costs	*20*		**(3,217)**	**-**	**-**	**(3,217)**	**-**	**(3,217)**
Distributions earned by or declared to Unitholders	*26*	**-**	**-**	**(19,905)**	**-**	**(19,905)**	**-**	**(19,905)**
Distributions under the Trust's reinvestment plan	*26*	**303,044**	**3,015**	**-**	**-**	**3,015**	**-**	**3,015**
Non-controlling interests on acquisition of subsidiary	-					**-**	**930**	**930**
Non-controlling interests on disposal of subsidiary	-					**-**	**(389)**	**(389)**
Capital increase from minority interest	-					**-**	**90**	**90**
		5,228,654	**52,084**	**(19,905)**	**-**	**32,179**	**631**	**32,810**
Net income for the year		**-**	**-**	**36,449**	**-**	**36,449**	**82**	**36,531**
Other comprehensive income (loss)		**-**	**-**	**-**	**(21,406)**	**(21,406)**	**(32)**	**(21,438)**
Comprehensive income (loss)		**-**	**-**	**36,449**	**(21,406)**	**15,043**	**50**	**15,093**
As at December 31, 2019		**28,742,306**	**259,526**	**57,827**	**14,591**	**331,944**	**1,200**	**333,144**

See accompanying notes to Consolidated Financial Statements

Inovalis Real Estate Investment Trust
Consolidated Statements of Cash Flows
For the years ended December 31,
(All dollar amounts in thousands of Canadian dollars)

	Note	2019	2018 restated (Note 34)
Operating activities			
Income before income taxes	-	**37,344**	27,970
Interest received	-	**8,816**	8,198
Interest paid	-	**(10,079)**	(10,437)
Income tax paid	-	**(1,733)**	(131)
Distributions in respect of exchangeable securities paid in cash	-	**(707)**	(1,029)
Adjustments for non-cash items and other reconciling items	*33*	**(20,346)**	(6,458)
		13,295	**18,113**
Working capital adjustments	*33*	**10,199**	1,248
Net cash flows related to operating activities		**23,494**	**19,361**
Investing activities			
Investment properties (additions and capitalized letting fees)	*7*	**(1,819)**	(4,676)
Investment properties (disposition of Vanves property)	*7*	**136,330**	-
Acquisitions of investment property	*6*	**(81,620)**	-
Proceeds from sale of Hannover property classified as assets held for sale	*13*	**15,960**	-
Investments in joint ventures	*8*	**-**	(10,273)
Loan repayments received from joint ventures	*8*	**1,723**	1,850
Investment in acquisition loans	*9*	**-**	(454)
Restricted cash for Trio properties capex	*6*	**(4,077)**	-
Decrease in other financial assets	-	**(1,294)**	-
Increase in financial current assets	-	**1,465**	-
Net cash flows related to investing activities		**66,668**	**(13,553)**
Financing activities			
Distributions to unitholders	*26*	**(16,529)**	(16,695)
Proceeds from issuance of promissory notes	*15*	**-**	20,225
Proceeds from issuance of unit	*20*	**51,494**	-
Issuance unit costs	*20*	**(2,596)**	
Mortgage loans net of tansaction costs	*33*	**60,410**	-
Lease liabilities net of tansaction costs	*33*	**62,525**	-
Repayment of mortgage loans	*33*	**(52,437)**	(8,742)
Repayment of lease liabilities	*33*	**(121,877)**	
Repayment of interest bearing loan		**(5,649)**	(479)
Repayment of lease equalization loans	*33*	**(1,090)**	(1,261)
Net cash flows related to financing activities		**(25,749)**	**(6,952)**
Net increase (decrease) in cash		**64,413**	**(1,144)**
Effects of foreign exchange adjustments on cash	-	**(998)**	793
Cash at the beginning of the year		**19,994**	**20,345**
Cash at the end of the year		**83,409**	**19,994**
Cash at bank and on hand		***83,409***	*19,110*
Cash classified as held for sale	*13*	**-**	*884*
Cash at the end of the year		**83,409**	**19,994**

See accompanying notes to Consolidated Financial Statements

Inovalis Real Estate Investment Trust
Notes to the consolidated financial statements
December 31, 2019 and 2018

Note 1 – Organization

The Inovalis Real Estate Investment Trust (the "Trust") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated February 8, 2013, under the laws of the Province of Ontario, Canada. These Consolidated Financial Statements include the accounts of the Trust and its subsidiaries (together the "REIT"). The REIT's investment property portfolio, owned directly or through joint arrangements, is comprised of office rental properties located in France and Germany.

The REIT's head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7. The REIT's units are listed on the Toronto Stock Exchange ("TSX") under the symbol INO.UN.TO.

The REIT's Consolidated Financial Statements for the year ended December 31, 2019, were authorized for issuance by the Board of Trustees on April 9, 2020.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France and Germany, to manage certain functions. Refer to Note 3 – Significant accounting policies, Note 9 – Acquisition loan and Note 18 – Exchangeable securities, for more information about the relationship between Inovalis SA and the REIT, and to Note 29 – Transactions with related parties, for information regarding the services provided by Inovalis SA to the REIT.

Inovalis SA is considered as a related party of the REIT as they share the same management. The founder and Chairman of Inovalis S.A. is President of the REIT, the Chief Executive Officer ("CEO") of Inovalis S.A. is also CEO of the REIT, and the Deputy Chief Executive Officer of Inovalis S.A. is Chief Investment Officer ("CIO") and Chief Financial Officer ("CFO") of the REIT.

Note 2 – Basis of preparation of Consolidated Financial Statements

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This is the first set of the REIT's annual financial statements in which IFRS 16 Leases and Amendments to IFRS 3, Business combinations have been applied. Changes to significant accounting policies are described in Note 3 (a) i) and ii).

Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are measured at fair value:

- Investment properties (including right-of-use assets);
- Promissory notes;
- Call options related to the acquisition loan;
- Exchangeable securities;
- Derivative financial instruments.

Certain comparative figures have been reclassified in order to conform with presentation adopted in the current year.

Note 3 – Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

New accounting standards adopted

On January 1, 2019, the REIT adopted IFRS 16 *Leases* ("IFRS 16") and amendments to IFRS 3 *Business combinations* ("IFRS 3"). The impacts are described below.

i) IFRS 16, *Leases*

The REIT adopted all of the requirements of IFRS 16 with a date of initial application of January 1, 2019. See note 3 (b) for a discussion of the impact of the adoption and the change in significant accounting policy.

ii) Amendments to IFRS 3, *Business combinations:*

On January 1, 2019, the Trust early adopted the amendments to IFRS 3 which clarified the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. These amendments also include an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments were applied to transactions for which the acquisition date was on or after January 1, 2019.

iii) IFRIC 23 – *Uncertainty over Income Tax Treatments issued:*

On January 1, 2019, the REIT adopted IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), which has clarified the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12"), for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. The adoption of IFRIC 23 did not have an impact on the REIT's consolidated financial statements.

Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Trust and all its subsidiaries. The Trust controls an entity if it has power over the entity, if it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have the same reporting date as the Trust. Subsidiaries are consolidated from the date of acquisition, being the date on which the Trust obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated on consolidation.

Note 3 – Significant accounting policies (Cont'd)

Basis of consolidation (Cont'd)

Details of the REIT's subsidiaries as of December 31, 2019, are as follows:

Name of subsidiary	Principal Activity	Name of the assets	Country of Incorporation and Residence	Porportion of Ownership Interest and Voting Power Held - 2019	Porportion of Ownership Interest and Voting Power Held - 2018
Cancorp Europe SA ("CCE")	Holding Company for European assets		Luxembourg	**85.92%**	84.34%
Cancorp Cologne SARL	Investment and holding Company		Luxembourg	**100% held by CCE**	100% held by CCE
Cancorp Hanover SA ("CCH")	Holding Company		Luxembourg	**0%**	100% held by CCE
INOPCI 1	Holding Company Investment		France	**100% held by CCE**	100% held by CCE
SCI Baldi	Investment property holding	Baldi Property	France	**100% held by INOPCI 1**	100% held by INOPCI 1
SCI Sablière	Investment property holding	Sablière Property	France	**100% held by INOPCI 1**	100% held by INOPCI 1
SCI Jeuneurs	Investment property holding	Jeûneurs Property	France	**100% held by INOPCI 1**	100% held by INOPCI 1
SCI BBA	Investment property holding	Vanves Property	France	**100% held by INOPCI 1**	100% held by INOPCI 1
SCI Véronèse	Investment property holding	Courbevoie Property	France	**100% held by INOPCI 1**	100% held by INOPCI 1
SCI Metropolitain	Investment property holding	Metropolitain Property	France	**99% held by INOPCI 1**	99% held by INOPCI 1
Metropolitan LLC	Investment property holding		USA	**100%**	100%
Hanover Cancorp GmbH KG	Investment property holding	Hanover Property	Germany	**0%**	94% held by CCH
Arcueil Holding SAS	Holding Company		France	**100% held by INOPCI 1**	N/A
SCI Lenine Arcueil	Investment property holding	Arcueil Property	France	**100% held by Arcueil Holding S.A.S**	N/A
Cancorp Trio 1	Investment property holding	Trio Properties	Germany	**94,90% held by CCE**	N/A
Cancorp Trio 2	Investment property holding	Trio Properties	Germany	**94,90% held by CCE**	N/A
Cancorp Trio 3	Investment property holding	Trio Properties	Germany	**94,90% held by CCE**	N/A

Also, as further explained in Note 3 under the caption "Exchangeable securities", the 14.08% interest held by Inovalis SA in CCE and its subsidiaries (15.66% as at December 31, 2018) is presented as a liability rather than a non-controlling interest (refer to Note 18 for details regarding this interest).

Business combinations

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the Trust on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured at their fair values at the acquisition date. The Trust measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the identifiable assets acquired and liabilities assumed, generally at fair value, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The REIT elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Note 3 – Significant accounting policies (Cont’d)

Foreign currency translation

(a) Functional and presentation currencies

Items included in the financial statements of each of the REIT’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the REIT’s subsidiaries and joint ventures is the euro, whereas the functional currency of the Trust, as well as its presentation currency, is the Canadian dollar.

(b) Accounting for transactions and balances in foreign currencies

Foreign currency transactions are translated into the relevant functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions or valuation where items are reassessed. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of earnings under “Foreign exchange gain (loss)”.

(c) Foreign operations

The results and financial position of all the entities that have a functional currency different from the presentation currency of the REIT are translated into the presentation currency upon consolidation as follows:

i. Assets and liabilities for individual balance sheet are translated at the closing rate at the date;
ii. Items presented in the consolidated statement of earnings, consolidated statement of comprehensive income and consolidated statement of cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income, expenses and cash flows are translated at the rate on the dates of the transactions); and
iii. All resulting exchange differences are recognized in other comprehensive income and recognized as a cumulative translation adjustment account in “Accumulated other comprehensive income” in equity.

When a foreign operation is partially or entirely disposed of, related exchange differences that were recorded in equity are recognized in the consolidated statement of earnings as part of the gain or loss on the sale.

Investment properties

An investment property is defined as property held to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or use for administrative purposes. Property held under a lease is classified as an investment property when the definition of an investment property is met.

Investment property other than property acquired in a business combination is measured initially at cost including transaction costs. Transaction costs include transfer costs, taxes, professional fees for legal services and broker acquisition fees to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, capital expenditures are capitalized as part of the investment properties which are then carried at fair value at each reporting date. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. Gains or losses arising from changes in the fair values are recognized in the consolidated statement of earnings in the reporting period in which they arise. For the purpose of these Consolidated Financial Statements, in order to avoid “double counting”, the assessed fair value may be reduced by the carrying amount of any accrued income resulting from the straight lining of lease incentive.

Note 3 – Significant accounting policies (Cont'd)

Investment properties (Cont'd)

The fair value of investment properties is determined by management with the assistance of independent appraisers who have the appropriate qualifications and relevant experience in the valuation of properties. Fair values of investment properties are determined by using recognized appraisal valuation techniques and the principles of IFRS 13, *Fair value measurement*. Refer to Note 4 – Critical accounting judgments and estimates, for a more detailed description of the valuation techniques used.

Joint arrangements

A joint arrangement is an arrangement in which the REIT and other parties undertake an economic activity that is subject to joint control. Joint control applies to situations where decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as a joint operation or a joint venture. A joint operation is an arrangement whereby joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas a joint venture is an arrangement whereby parties to the joint ventures only have rights to the net assets of the arrangement. The REIT's investments in joint arrangements qualify as joint ventures.

A joint venture is initially recognized at cost plus directly related acquisition costs. However, any excess of the REIT's share of the fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the REIT's share of the joint venture's net profit or loss in the reporting period in which the investment is acquired.

Investments in joint ventures are subsequently accounted for using the equity method. The carrying amount includes investment in the joint venture using the equity method together with any long-term loan receivable that, in substance, form part of the REIT's net investment in the joint venture. The carrying amount of investment in joint ventures is increased or decreased to recognize the REIT's share of the net profit or loss and other comprehensive income (loss) of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the REIT. Unrealized gains and losses on transactions between the REIT and its joint ventures are eliminated to the extent of the REIT's interest in the joint venture.

As at December 31, 2019, and as at December 31, 2018, the REIT, through its subsidiary CCE, holds the following joint ventures:

Name of entity	Principal Activity	Property Name	Country of Incorporation and Residence	Porportion of Ownership Interest and Voting Power Held - 2019	Porportion of Ownership Interest and Voting Power Held - 2018
Cancorp Duisburg SARL ("CCD")	Investment property holding	Duisburg Property	Luxembourg	**50% joint-venture held by CCE**	50% joint-venture held by CCE
SCI Cancorp Cologne ("Cologne')	Investment property holding	Cologne Property	France	**6% held by CanCorpCologne Sarl**	6% held by CanCorpCologne Sarl
Walpur Four SARL ("Walpur")	Investment property holding	Bad Homburg Property	France	**50% joint-venture held by CCE**	50% joint-venture held by CCE
Arcueil SI General Partner SARL	General partner for Arcueil SCS		Luxembourg	**25% joint-venture held by CCE**	25% joint-venture held by CCE
Arcueil SCS ("Arcueil")	Investment and holding Company		Luxembourg	**25% joint-venture held by CCE**	25% joint-venture held by CCE
Arcueil SI SARL	Holding Company		Luxembourg	**100% held by Arcueil SCS**	100% held by Arcueil SCS
INOPCI 2	Holding Company		France	**100% held by Arcueil SI Sarl**	100% held by Arcueil SI Sarl
Arcueil Holding SAS	Holding Company		France	**N/A**	100% held by INOPCI 2
SCI Lenine Arcueil	Investment property holding	Arcueil Property	France	**N/A**	100% held by Arcueil Holding S.A.S
TFI Cancorp Stuttgart SARL ("Stuttgart")	Investment property holding	Stuttgart Property	Luxembourg	**50% held by CCE**	50% held by CCE
SCI Delizy Diamants ("Delizy")	Investment property holding	Delizy Property	France	**50% held by INOPCI**	50% held by INOPCI
TFI Cancorp Isenburg SARL ("Neu Isenburg")	Investment property holding	Neu Isenburg Property	Luxembourg	**50% held by CCE**	50% held by CCE
TFI Cancorp Kosching SARL ("Kösching")	Investment property holding	Kösching Property	Luxembourg	**50% held by CCE**	50% held by CCE as from February 28

Note 3 – Significant accounting policies (Cont'd)

Trust units

The REIT classifies issued and outstanding units as equity in the consolidated balance sheet. The units are puttable financial instruments because of the unitholders' option to redeem units, whenever, at a redemption price per unit equal to the fair market value of the units at that time. The REIT has classified the units as equity on the basis that the units meet all the criteria in IAS 32, *Financial Instruments*: Presentation for such classification, also referred to as the "puttable exemption", as follows:

i. The Units entitle the unitholder to a pro rata share of the REIT's net assets in the event of the REIT's liquidation. The REIT's net assets are those assets that remain after satisfaction of all its liabilities;
ii. The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
iii. All Units have identical features;
iv. Apart from the contractual obligation for the REIT to redeem the Units for cash, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the REIT, and are not a contract that will or may be settled in the REIT's own equity instruments; and
v. The total expected cash flows attributable to the Units over their life is based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the REIT over the life of the Units.

In addition to the Units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the net profit or loss, the change in recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also determined it has no other financial instruments or contracts that have the effect of substantially restricting or fixing the residual return to the unitholders.

Units are initially recognized at the fair value of the consideration received in return for units issued by the REIT. Any transaction costs arising on the issuance of units are recognized directly as a reduction of the carrying value attributed to the Trust Units.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognized when the REIT becomes a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets are unrecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Financial liabilities are unrecognized when the obligation specified in the contract is extinguished, discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Financial assets and liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the REIT has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement

Trade receivables and other financial assets

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment if applicable.

Derivative financial instruments and hedge of a net investment in foreign operations

Derivative financial instruments are initially recognized at their fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are measured at fair value through profit or loss, except those designated and effective as hedging instruments. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. At the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio). Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated. If a cash flow hedge meets the qualifying criteria, those derivatives are carried at fair value and their change in fair value is accounted for in "Other comprehensive income".

Acquisition Loan

The acquisition loan is initially measured at fair value using a market interest rate, and any difference with nominal interest rate is considered in the effective interest rate method. It is subsequently measured at amortized cost because this financial asset does fulfill the SPPI (Solely Payment of Principal and Interest) criteria.

Exchangeable Securities

The Exchangeable Securities issued by the Trust's subsidiary, CCE, consist of convertible interest-bearing debt instruments in euros and exchangeable into a fixed number of units of the REIT at the discretion of the holder, Inovalis SA, and represent the interest not held by the REIT in controlled and consolidated subsidiaries. However, if upon maturity of the debt instruments, the unit price of the REIT's units is less than $10 per unit, the REIT has the right to exchange the Exchangeable Securities for a fixed number of units of the REIT rather than reimburse the debt. This liability is designated at fair value through profit or loss and measured initially and subsequently at fair value with changes in fair value recorded in profit or loss. This designation is related to the existence of non-closely related embedded derivatives. Gains and losses on remeasurement to fair value are included in the consolidated statement of earnings in "Net change in fair value of Exchangeable Securities" as the cumulative change due to credit spread change is negligible. Transaction costs are expensed in the consolidated statement of earnings in the period in which the costs are incurred and the services are received. The exchangeable securities are classified as current except for the portion held in escrow, which is classified as non-current.

The Exchangeable Securities are accompanied by Special Voting Units issued by the Trust, which have no economic interest but provide the Exchangeable Securities holder with the same voting rights in the Trust as a Unit. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities for the purpose of providing voting rights with respect to the Trust to the holders of such securities.

In performing its obligations under the management agreement, Inovalis SA is entitled to receive asset management fees. These asset management fees earned by Inovalis SA, in its role as manager of the REIT, are settled quarterly through the issuance of either exchangeable securities or in cash.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Exchangeable Securities (Cont'd)

The per-unit value of the Exchangeable Securities issued at the time of the Initial Public Offering, including the overallotment, was based on the offering price. The per-unit value of Exchangeable Securities issued by CCE in lieu of payment for annual management fees is determined based on average quoted market price of the REIT's units on the Toronto stock exchange for five days (volume weighted average price) immediately preceding the transaction.

Until March 2018, 50% of the Exchangeable Securities issued for payment of management fees were subject to an escrow arrangement that only releases the Exchangeable Securities after the termination of the management agreement or after the internalization of management to the REIT. In the case of internalization, one third of the latter securities will be released immediately and one third will be released on the first and second anniversary, respectively, of internalization. Once the Exchangeable Securities are released from escrow, it is then possible for Inovalis SA to receive one of the REIT's units for each of its Exchangeable Securities. The amendment to the management agreement signed on April 1, 2018 cancelled the obligation to put 50% of the Exchangeable Securities issued for payment of management fees in escrow.

Tenant deposits

Tenant deposits are measured initially at fair value and subsequently at amortized cost using the effective interest rate method. Under the effective interest rate method, the difference between the fair value and the notional amount of tenant deposits assumed in business combinations is deferred and recognized over time until the repayment date.

Mortgage loans and lease equalization loans

Mortgages loans and lease equalization loans are recognized initially at fair value and subsequently at amortized cost using the effective interest method with transaction cost spread using the same method. These financial liabilities are classified as current liabilities if payment is due within twelve months which can include accrued interest. Otherwise, they are presented as non-current liabilities.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Promissory notes

Promissory Notes bear interest, are repayable at maturity and include a prepayment option. The REIT and the investors have also call and put options (Note 15). The promissory notes are designated at fair value through profit or loss and measured at fair value with changes in fair value recorded in profit. This designation is related to the existence of non-closely related embedded derivatives.

Fair value hierarchy of financial and non-financial items

The fair value hierarchy, which applies to the determination of fair value, requires, first, the use of observable data which reflect market data obtained from independent sources, if such data exist. An asset or liability is classified at the lowest hierarchical level when significant unobservable market data has been used in the fair value measurement.

Note 3 – Significant accounting policies (Cont’d)

Financial instruments (Cont’d)

Classification and subsequent measurement (Cont’d)

Fair Value Hierarchy of Financial and Non-Financial Items (Cont’d)

The REIT uses the following hierarchy for the fair value determination of financial and non-financial items:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date.
- Level 2 - use of a model with inputs (other than quoted prices classified level 1) that are directly or indirectly observable market data.
- Level 3 - use of a model with inputs that are not based on observable market data.

The REIT recognizes transfers between levels of the fair value hierarchy at the date of the event of a change in circumstances that caused the transfer.

Impairment

The REIT uses the expected credit loss (ECL) model for calculating impairment and recognized expected credit losses as a loss allowance in the consolidated balance sheets if they relate to a financial asset measured at amortized cost. For trade receivables, the REIT applies the simplified approach as permitted by IFRS 9 which requires lifetime expected credit losses be recognized from initial recognition of receivables. The carrying amount of these assets in the consolidated balance sheet is stated net of any loss allowance.

Impairment losses are recorded in the REIT administration expenses in the consolidated statement of earnings with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of earnings. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset, at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Assets held for sale

Assets held for sale and liabilities directly associated with assets held for sale are presented on a separate line of the balance sheet when (i) the REIT made the decision to sell the assets (ii) the assets are available for immediate sale in its present condition and (iii) the sale is considered highly probable. These assets are measured at the lower of their carrying value and fair value, less the selling costs.

If impairment loss identified for a disposal group exceeds the carrying amount of non-current assets which are in the scope of IFRS 5 for measurement within that disposal group, such excess is not recognized.

Leases

The REIT adopted IFRS 16 *Leases* as at January 1, 2019, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17, Leases, and related interpretation.

On transition to IFRS 16, the REIT elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019. The REIT also applied the exemption not to recognize right-of-use assets and lease liabilities for leases previously classified as an operating lease applying IAS 17 where the lease term at the transition date is less than 12 months.

As a result of the adoption of IFRS 16, the REIT updated its accounting policy for leases as follows:

Note 3 – Significant accounting policies (Cont'd)

Leases (Cont'd)

Significant accounting policies

At contract inception, the REIT now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessor

The REIT leases out its investment property, including right-of-use assets. The REIT has classified these leases as operating leases. The accounting policies applicable to the REIT as a lessor are not different from those under IAS 17. The REIT is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the REIT has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

As a lessee

Prior to the adoption of IFRS 16, leases of assets classified as finance leases were presented in the consolidated balance sheets according to their nature. The interest element of the lease payment was recognized over the term of the lease based on the effective interest rate method and was included in financing expense. Payments made under operating leases were recognized in expenses on a straight-line basis over the term of the lease.

Since the adoption of IFRS 16, the REIT recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets that meet the definition of investment property are presented within investment property. These right-of-use assets are initially measured at cost, and subsequently measured at fair value, in accordance with the REIT's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the REIT's incremental borrowing rate for similar assets. Generally, the REIT uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Consequences of transition

There was no material impact of the transition to IFRS 16 on January 1, 2019 since existing leases were already accounted for as leases under IAS 17.

Revenue recognition

Rental revenue

Management has determined that all leases concluded between the REIT and its tenants are operating leases. Rental revenue from operating leases is recognized on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the REIT is reasonably certain that the tenant will exercise that option. Rental revenue received during the financial year but relating to a subsequent financial year are included in the liabilities under the caption "Deferred Income".

Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

Note 3 – Significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Property operating cost recoveries

Leases generally provide for the tenants' payment of maintenance expenses for common elements, property taxes and other operating costs, such payment being recognized as operating cost recoveries in the period when the right to payment vests.

Finance income and costs

Interest income and expenses are recognized as they accrue using the effective interest rate method.

Distributions

Distributions to unitholders are recognized as a reduction of retained earnings and as a liability in the period in which the distributions are approved by the Board of Trustees. Distributions on exchangeable securities are recognized in the consolidated statements of earnings.

A Distribution Reinvestment Plan ("DRIP") has been put in place starting from the July 2013 distribution, providing unitholders with the opportunity to accumulate additional units plus additional bonus units in an amount equal to three percent of the distributions reinvested by the unitholders.

Provisions

Provisions are recognized when the REIT has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the REIT and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present value, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Income taxes and levies

IFRIC 21 – Levies

In accordance with IFRS Interpretations Committee (IFRIC) 21, *Levies*, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. This is the obligating event that gives rise to a liability to pay property taxes.

Canadian income taxes

The Trust is considered a mutual fund trust for income tax purposes in Canada. In Canada, mutual fund trusts are not taxed on income earned in a taxation year, to the extent that such income has been distributed to unitholders prior to the end of the taxation year. Pursuant to the REIT's Amended and Restated Declaration of Trust, dated April 10, 2013, the trustees shall make payable to unitholders a distribution of sufficient net realized capital gains and income that the Trust shall not be liable to pay taxes under Part 1 of the Tax Act. As a result, there is generally little possibility of the Trust being taxable on ordinary income under Part 1 of the Income Tax Act. Consequently, the Trust does not recognize Canadian income taxes under IAS 12 Income taxes because it has an "in-substance" exemption.

The Trust consolidates wholly owned incorporated entities that are subject to tax. The tax disclosures and expense relate to these entities.

Note 3 – Significant accounting policies (Cont'd)

Income Taxes and Levies (Cont'd)

Foreign taxes

The REIT's subsidiaries may be subject to income tax and to withholding tax on distribution among its subsidiaries, pursuant to applicable legislation in France, Germany, Luxembourg and the United States. The tax expenses for the year related to non-Canadian taxable subsidiaries comprises current and deferred taxes. Where applicable, the current tax charge is calculated based on the tax laws enacted or substantively enacted at the consolidated balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Where applicable, deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

According to the rebuttable presumption exception of IAS 12, the measurement of a deferred tax liability or a deferred tax asset arising on an investment property measured at fair value should reflect the tax consequences of recovering the carrying amount entirely through sales.

Segment reporting

The REIT owns and operates a portfolio of investment properties located in France and Germany. These properties are used to derive revenues from the rental of office space leased to corporate clients in urban areas. Management has determined that this portfolio is a single operating segment.

Note 4 – Critical Accounting Judgments and Estimates

In preparing these Consolidated Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are presented below:

Business combination

The REIT performs an assessment of each acquisition of investment property to determine whether the acquisition is to be accounted for as an asset acquisition or business combination.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

For each transaction, the REIT may elect to apply the concentration test under IFRS 3 amendment to determine if all of the fair value of gross assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition is qualified as an acquisition of a group of assets and liabilities and not of a business.

Note 4 – Critical Accounting Judgments and Estimates (Cont'd)

Business combination (Cont'd)

If the concentration test is not met, or if the REIT elects not to apply the test, the REIT then performs the detailed assessment whether the transaction is an acquisition of a business or of assets. The purchase of investment properties is classified as a business acquisition on the basis that it involves the acquisition of leasable space (inputs), management processes to lease that space to tenants and leasing arrangements with tenants that generated rental income (processes). In the absence of such criteria, a group of assets is deemed to have been acquired. When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities.

Joint arrangements

The classification of joint arrangements in accordance with IFRS 11 - Joint Arrangements ("IFRS 11") may require the judgment of management, particularly if there are several agreements related to the joint arrangements.

Deferred tax liabilities

The deferred tax liabilities correspond to the deferred tax expense relating to the origination of temporary differences arising from the unrealized gains on investment properties located in France and Germany.

The Double Taxation Treaty between France and Luxembourg was ratified on July 2, 2019. As the instruments of ratification have been exchanged between the two countries, the new Double Taxation Treaty ("DTT") came into effect on January 1, 2020.

The increase in tax rates may have a significant impact on the REIT. Management is in the process of restructuring the Luxembourg holding company into a regulated entity that would be subject to the reduced rate of 15% under the DTT (instead of 28% in 2020, 26.5% in 2021, and 25% as from January 1, 2022). Deferred income tax liabilities are based on the rate of 25% and the assumption of the distribution of 50% of the OPCI's net profits arising from capital gains upon the disposition (which results in an effective rate of 15%). The REIT will be using 25% rate until the Luxembourg holding company conversion is approved. Regulatory approval is required to convert into a SIF and there is no guarantee that such approval will be obtained by management.

Critical accounting estimates

Valuation of the related call option related to the acquisition loan

The fair value of the call option is determined based mainly on (i) the expected gain on the sale of the property and (ii) the probability of realization of that gain.

Valuation of investment properties

The fair value of investment properties is determined using recognized valuation techniques. The techniques principally used by the REIT are the Direct Capitalization Method ("DC") and the Discounted Cash Flow Method ("DCF").

On the Direct Capitalization Method, the cash generated during the term of the lease as well as the cash generated at reversion are capitalized on using the same capitalization rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

Under the DCF method, a property's fair value is estimated using analysis of the future cash flow generated by the property on a 10 year period associated with a market derived discount rate and exit cap rate.The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related lease up periods, reletting, redevelopment, or refurbishment. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Note 4 – Critical Accounting Judgments and Estimates (Cont'd)

Critical accounting estimates (Cont'd)

Valuation of investment properties (Cont'd)

The group that determines the REIT's valuation policies and procedures for property valuations comprises the CEO, CIO and CFO. Each year, Inovalis SA appoints an external evaluator who is responsible for the valuation of the REIT's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

In addition, the CEO and the CIO are responsible for the internal valuation department in charge of the evaluation of the REIT's properties. Inovalis SA's internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties and annually for the German properties. For the purpose of preparing the annual consolidated financial statements, all properties are valued by external evaluators.

Note 5 – Future changes in accounting policies

Inovalis REIT monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the REIT operations.

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt these standards when they become effective.

Interbank Offered Rate (IBOR) Reform

The IASB published Phase 1 of its amendments to IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as IFRS 7, Financial Instruments: Disclosures in September 2019, to provide relief from the potential effects of the uncertainty arising from Interbank Offered Rate (IBOR) reform, focusing in particular on the period prior to replacement of interbank offered rates. These amendments modify hedge accounting requirements, allowing the Trust to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB's project on IBOR is underway and will address transition to IBOR. The Phase 1 amendments are effective for the REIT's fiscal year beginning January 1, 2020, with early adoption permitted. Phase 1 amendments are not expected to impact the REIT's consolidated financial statements upon adoption. The IBOR reform is not expected to have a significant impact on the REIT's consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements (IAS 1) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) - Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These amendments are effective January 1, 2020. The amendments to the definition of material are not expected to have a significant impact on the REIT's consolidated financial statements.

Note 5 – Future changes in accounting policies (Cont'd)

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

Note 6 – Acquisition of investment properties

Arcueil property

On December 18, 2019, the REIT acquired an investment property, namely the Arcueil property, previously held in a joint venture accounted for using the equity method and in which the REIT has a 25% interest. The REIT bought the shares and a payable to the seller of ARCUEIL HOLDING SAS, which holds an interest of 99.99% in SCI LENINE ARCUEIL, which entity holds a lease liability in respect of the right-of-used asset of the Arcueil property, for a total consideration of €46,739 ($68,122).

The REIT also incurred acquisition costs of €197 ($287) in regard to this transaction. The REIT acting as a general manager of the investment property, the acquisition costs were limited to legal costs in respect of the transfer of the interest in the investment property previously held by the joint venture entities.

This acquisition has been financed directly following the sale of a property, discussed further in Note 7, and the issuance of trust units, discussed further in Note 20.

The REIT has elected to apply the "concentration test" authorized by the amendment to IFRS 3. As the fair value of the acquired gross assets is substantially concentrated in the Arcueil property, the transaction has been qualified as an acquisition of assets.

Purchase price allocation	**(in 000's of €)**	**(in 000's of $)**
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment property	91,941	134,005
Lease liabilities	(44,279)	(64,537)
Other assets and liabilities (1)	(726)	(1,059)
Total liabilities assumed	**(45,005)**	**(65,596)**
Net asset acquired	**46,936**	**68,409**
Consideration transferred by the REIT for the acquisition consists of the following :		
Acquisition cost	197	287
Cash transfered	37,300	54,365
Balance of sale payable to Arceuil partnership	9,439	13,757
	46,936	**68,409**

(1) Including cash for €205 ($299).

Note 6 – Acquisition of investment property (Cont'd)

Trio properties

The REIT, through a controlled subsidiary, together with a company controlled by Inovalis SA, acquired on March 27, 2019, a property ("Trio property") located near Frankfurt, for approximately €45,755 ($69,106).

The REIT owns 94.9% of the subsidiary and a company controlled by Inovalis SA owns the remaining 5.1% of the subsidiary.

The REIT bought the shares of Trio subsidiary and interest-bearing loan owned by the seller for a total consideration of €18,125 ($27,376), include transaction costs (for a total amount of €1,547 ($2,337)).

The Trio property was refinanced by a new senior bank loan of €31,200 ($47,123) bearing interest at a fixed rate of 1.56% which maturity date is March 15, 2024. Pursuant to the new senior bank loan, the interest-bearing loan assumed at acquisition amounting to €3,740 ($5,640) was repaid, as well as the mortgage loan that amounted to €24,495 ($36,996). In addition, a €2,700 ($4,078) reserve for capital expenditures was established and is considered restricted cash as at December 31, 2019.

The REIT has elected to apply the "concentration test" authorized by the amendment to IFRS 3. As the fair value of the acquired gross assets is substantially concentrated in the Trio property, the transaction has been qualified as an acquisition of assets. Therefore, the property acquisition costs, in a total of €47,302 ($71,443), include transaction costs for a total amount of €1,547 ($2,337). No goodwill or deferred tax were recognized.

The TRIO acquisition includes an unrecognized deferred tax liability of €1,991 ($3,007) in relation to the IAS 12 recognition exemption on acquisition of assets.

Purchase price allocation	**(in 000's of €)**	**(in 000's of $)**
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment property	47,302	71,443
Mortgage loan	(24,495)	(36,996)
Interest-bearing loan	(3,740)	(5,649)
Other assets and liabilities (1)	(51)	(80)
Total liabilities assumed	**(28,286)**	**(42,725)**
Net asset acquired	**19,016**	**28,718**
Consideration transferred by the REIT for the acquisition consists of the following :		
Cash	16,578	25,039
Acquisition cost paid	1,547	2,337
Consideration transferred by the REIT	**18,125**	**27,376**
Consideration paid by minority interest :		
Purchase price shares	616	930
Interest-bearing loan	275	412
	891	**1,342**

(1) Including cash for €72 ($109).

Note 7 – Investment properties

	For the year ended December 31, 2019	For the year ended December 31, 2018
Balance, beginning of period	**421,937**	**440,813**
Capex	**1,545**	3,858
Acquisition of Trio investment properties including acquisitions costs	**71,443**	-
Acquisition of Arcueil investment property	**134,005**	-
Capitalized letting fees	**274**	818
Disposition of Vanves investment property	**(136,330)**	-
Rent free periods	**141**	(926)
Net change in fair value of investment properties	**16,722**	335
Foreign currency translation adjustment	**(31,037)**	16,069
Assets classified as held for sale	**-**	(39,030)
Balance, end of period	**478,700**	**421,937**

On October 30, 2019, the REIT entered into a sale agreement for the Vanves investment property, with a leasable area of 24,848 m2 (267,462 sq. Ft.) and located on the outskirts of Paris, France. The REIT closed the transaction on December 16, 2019, for a total consideration net of lease cancellation costs, of €92,977 ($136,330). The Property was acquired by the REIT for €77,953 ($113,539) in April 2013, upon closing of the REIT's initial public offering. The REIT assumed lease cancellation option costs for an amount of €1,903 ($2,790).

	As at December 31, 2019			As at December 31, 2018		
	France	Germany	Total	France	Germany (1)	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	**283,670**	**47,000**	**330,670**	271,570	24,960	296,530
Option costs	**(2,006)**	**-**	**(2,006)**	(1,737)	-	(1,737)
Adjusted market value in Euros	**281,664**	**47,000**	**328,664**	**269,833**	**24,960**	**294,793**
Exchange adjustment	**128,580**	**21,456**	**150,036**	152,104	14,070	166,174
Adjusted market value in CAD$	**410,244**	**68,456**	**478,700**	**421,937**	**39,030**	**460,967**
Principal method used to value property	**Direct Capitalization Method**	**Discounted cash flow**		Discounted cash flow & Direct Capitalization Method	Discounted cash flow	
Number of years used in cash flow projection		**10**			10	
Capital rate / discount rate	**4,20% to 7,00%**	**5.25%**		4,20% to 6,75%	5,20%	
Terminal capitalization rate	**5.38%**	**-**		5,63%	-	
Weighted average discount rate	**-**	**5.25%**		-	5,20%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	**(18,793)**	**(3,112)**	**(21,905)**	(18,792)	(1,790)	(20,582)
a decrease of 25 bps on the cap rate and/or discount rates	**20,759**	**3,423**	**24,182**	20,722	1,971	22,693

(1) Presented as an asset held for sale

Leases

The REIT leases various investment properties with a carrying amount of $235,217 (2018 – $229,336) under leases expiring in less than 8 years (2018: eight to ten years).

Note 8 – Investments in joint ventures

Outlined below is a breakdown of the carrying amounts of the components of the investments in joint ventures:

	CCD	Walpur	Arcueil[2]	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance -December 31, 2017	**20,298**	**8,786**	**13,780**	**698**	**15,635**	**8,375**	**11,522**	**-**	**79,094**
Additional investment of the year	-	-	-	-	-	-	2,334	9,086	11,420
Share of net income (loss) from investments as restated [1]	(450)	266	1,264	253	1,135	73	1,739	1,570	5,850
Loan to joint ventures repayments	-	-	-	-	(887)	-	(625)	(338)	(1,850)
Exchange differences as restated	726	324	529	31	572	305	494	109	3,090
Balance -December 31, 2018 as restated	**20,574**	**9,376**	**15,573**	**982**	**16,455**	**8,753**	**15,464**	**10,427**	**97,604**
Share of net income (loss) from investments [1]	**7,273**	**800**	**(105)**	**41**	**2,700**	**332**	**5**	**736**	**11,782**
Loan to joint ventures repayments	**-**	**-**	**-**	**-**	**(451)**	**-**	**(922)**	**(350)**	**(1,723)**
Exchange differences	**(1,551)**	**(658)**	**(1,052)**	**(68)**	**(1,173)**	**(606)**	**(1,042)**	**(731)**	**(6,881)**
Balance - December 31, 2019	**26,296**	**9,518**	**14,416**	**955**	**17,531**	**8,479**	**13,505**	**10,082**	**100,782**

(1) *The share of net earnings includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to $ 4,866 (2018 – $ 5,091) and are included in "Finance income" (see note 24).*

(2) *The share of net earnings regarding Arcueil property includes the variance of the foreign exchange derivative (conversion from € to KRW). The REIT was entitled to receive a 75% share of the net earnings and of the variance of fair value of the investment property, reduced by 100% of foreign exchange derivative costs. As at December 31, 2019, the fair value of the forward is $ (2 800). (2018 - $(3,017)).*

The balance of investments in joint ventures as at December 31, 2019 includes loans to joint ventures for an amount of $ 45,489 which is detailed as follows:

Loans to joint ventures	CCD	Walpur	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance - December 31, 2019	**14,497**	**4,806**	**769**	**11,550**	**8,479**	**3,350**	**2,038**	**45,489**
Balance -December 31, 2018	15,564	5,160	825	12,876	9,265	4,568	2,557	**50,815**
Maturity date	06/30/2020	06/30/2020	11/06/2024	05/30/2023	08/31/2022	12/29/2023	12/31/2023	
Interest rate	10%	8.75%	10.50%	6.50%	9%	8.70%	6.50%	

2019

Arcueil

On December 18, 2019, the REIT acquired an investment property, namely the Arcueil Property, previously held in a joint venture accounted for using the equity method and in which the REIT has a 25% interest, discussed further in Note 6.

The carrying amount of the REIT investment in the Arcueil joint venture, following the disposal of Arcueil property, amounts to €9,897 ($14,416) while the exiting partner interest amounts to €35,729 ($52,039), including an additional premium granted for an amount of €2,263 ($3,361), in accordance with the agreement between shareholders. On January 22, 2020, the closing of the transaction, as well as payment of the amounts owed to the exiting partner, occurred.

Repayments on loans to joint ventures

As at December 31, 2019, loans repayments of €304 ($451), €621 ($922) and €235 ($350) occurred respectively for Stuttgart, Neu-Isenburg and Kösching.

2018

Kösching (Ingolstadt)

On February 28, 2018, the REIT, through its subsidiary CCE, completed the acquisition of its 50% interest in the Kösching (Ingolstadt) investment property, via a joint venture.

Note 8 – Investments in joint ventures (Cont'd)

2018 (Cont'd)

Investment

In 2018, Neu-Isenburg obtained from the REIT a loan for €1,526 ($2,334).

Repayments on loans to joint ventures

As at December 31, 2018, repayments of €580 ($887), €409 ($625) and €221 ($338) occurred respectively for Stuttgart, Neu-Isenburg and Kösching.

Summarized financial information for joint ventures

The tables below provide the summarized financial information for joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures. They have been amended to reflect adjustments made by the REIT when using the equity method, including modifications for differences in accounting policy.

Summarised balance sheet	**CCD**		**Walpur**		**Arcueil**		**Cologne**		**Stuttgart**		**Delizy**		**Neu Isenburg**		**Kösching**	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018 as restated	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Current assets																
Cash and cash equivalents	1,612	1,429	2,999	2,172	54,160	437	800	896	2,524	3,002	556	1,883	2,279	3,127	971	949
Other current assets	296	1,024	45	23	13,870	267	430	475	1,035	869	855	1,951	1,826	1,532	164	71
Total current assets	**1,908**	**2,453**	**3,044**	**2,195**	**68,030**	**704**	**1,230**	**1,371**	**3,559**	**3,871**	**1,411**	**3,834**	**4,105**	**4,659**	**1,135**	**1,020**
Non-current assets	**93,282**	**81,490**	**33,941**	**35,501**	**-**	**140,112**	**34,874**	**36,816**	**70,786**	**69,663**	**39,783**	**41,288**	**56,097**	**61,360**	**41,073**	**43,533**
Current liabilities																
Financial liabilities	64,920	259	198	75	-	3,424	789	840	125	139	958	1,007	241	89	86	97
Other current liabilities	761	1,065	206	263	4,374	1,939	12,455	13,519	851	559	1,534	2,368	890	607	828	916
Total current liabilities	**65,681**	**1,324**	**404**	**338**	**4,374**	**5,363**	**13,244**	**14,359**	**976**	**698**	**2,492**	**3,375**	**1,131**	**696**	**914**	**1,013**
Non-current liabilities																
Financial liabilities	0	69,395	25,689	27,524	-	66,247	19,982	21,453	58,812	64,056	39,004	42,771	39,910	44,759	24,110	26,841
Other non-current liabilities	5,911	3,204	1,472	1,406	-	5,483	-	-	5,107	4,320	-	-	3,449	3,671	2,756	2,701
Total non-current liabilities	**5,911**	**72,599**	**27,161**	**28,930**	**0**	**71,730**	**19,982**	**21,453**	**63,919**	**68,376**	**39,004**	**42,771**	**43,359**	**48,430**	**26,866**	**29,542**
Net assets	**23,598**	**10,020**	**9,420**	**8,428**	**63,656**	**63,723**	**2,878**	**2,375**	**9,450**	**4,460**	**(302)**	**(1,024)**	**15,712**	**16,893**	**14,428**	**13,998**
REIT's share in %	50%	50%	50%	50%	25% [1]	25% [1]	6%	6%	50%	50%	50%	50%	50%	50%	50%	50%
REIT's share in CAD	11,799	5,010	4,710	4,214	14,416	15,573	173	143	4,725	2,230	(151)	(512)	7,856	8,447	7,214	6,999
Goodwill [2]									1,256	1,349			1,533	1,645		
Acquisition costs	-	-	2	2	-	-	13	14	-	-	-	-	766	804	830	871
Loans to Joint Ventures	14,497	15,564	4,806	5,160	-	-	769	825	11,550	12,876	8,630	9,265	3,350	4,568	2,038	2,557
Carrying amount	**26,296**	**20,574**	**9,518**	**9,376**	**14,416**	**15,573**	**955**	**982**	**17,531**	**16,455**	**8,479**	**8,753**	**13,505**	**15,464**	**10,082**	**10,427**

(1) The REIT is entitled to receive a 75% share of the net earnings after the 7% annual fixed distribution to the joint venture partner, and, upon asset disposal, 75% of the variance of fair value of investment properties, reduced by 100% of foreign exchange derivative costs.

(2) The goodwill is the difference between the amount paid for the joint venture at the acquisition date and the proportionate share of the REIT in assets and liabilities of the joint venture at fair value at the acquisition date.

Note 8 – Investments in joint ventures (Cont'd)

Summarized financial information for joint ventures (Cont'd)

Summarised statement of comprehensive income	**CCD**		**Walpur**		**Arcueil**		**Cologne**		**Stuttgart**		**Delizy**		**Neu Isenburg**		**Kösching**	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018 as restated	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Net rental earnings	**4,838**	**4,922**	**2,229**	**1,886**	**9,585**	**9,832**	**1,753**	**1,740**	**3,680**	**4,250**	**2,176**	**2,729**	**3,235**	**3,542**	**2,428**	**2,188**
Administration expenses	(650)	(560)	(214)	(255)	(1,924)	(1,470)	(67)	(34)	(712)	(664)	(636)	(681)	(732)	(699)	(437)	(472)
Net change in fair value of investment properties	16,946	(1,392)	891	245	10,333	(71)	594	4,161	5,707	1,707	1,165	268	(1,102)	1,493	357	933
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-	1,249	-	(990)
Loss on financial instruments at FVTPL	-	-	-	-	140	182	-	-	-	-	(31)	(140)	-	-	-	-
Finance income	-	-	-	-	-	1,163	-	-	1	-	-	59	-	-	-	-
Finance costs	(3,808)	(3,986)	(1,142)	(1,187)	(5,691)	(5,918)	(1,601)	(1,654)	(2,162)	(2,287)	(2,009)	(2,089)	(1,380)	(1,627)	(685)	(988)
Loss on disposal of an int.in a subsidiary					(10,707)											
Current income tax (expense) income	(3)	(2)	-	-	(415)	(316)	-	-	(9)	(14)	-	-	(15)	(77)	(2)	28
Deferred income tax (expense)	(2,777)	119	(165)	(158)	2,785	(1,669)	-	-	(1,106)	(723)	-	-	3	(403)	(190)	(237)
Profit (loss) for the year	**14,546**	**(899)**	**1,599**	**531**	**4,106**	**1,733**	**679**	**4,213**	**5,399**	**2,269**	**665**	**146**	**9**	**3,478**	**1,471**	**462**
REIT's share in %	50%	50%	50%	50%	25% [1]	25% [1]	6%	6%	50%	50%	50%	50%	50%	50%	50%	50%
Excess of fair value over purchase price on acquisition [1-3]																1,339
Share of net earnings (loss) from investments	**7,273**	**(450)**	**800**	**266**	**(105)**	**1,264**	**41**	**253**	**2,700**	**1,135**	**332**	**73**	**5**	**1,739**	**736**	**1,570**

(3) *On the date of acquisition, the fair value of the REIT's share of the net assets of the joint venture was higher than the acquisition cost. Accordingly, a gain of $1,339 was included in the share of net earnings of the joint venture.*

Note 9 – Acquisition loan

At December 31, the outstanding balances of the acquisition loans were as follows:

	As at December 31, 2019	**As at December 31, 2018**
Rueil loan	**24,744**	25,719
Acquisition loan	**24,744**	**25,719**

In 2016, the REIT committed to fund a €21,750 acquisition and redevelopment loan to a company 80% owned by Inovalis SA related to a property located in Rueil, in Paris Western periphery. The facility amount has been drawn in several instalments. The loan bears an annual interest rate of 8.50% and has an initial maturity in December 2020, with 2 one-year renewal at the option of the borrower, but subject to the approval of the REIT. Moreover, the REIT owns a call option to buy, subject to the approval of the senior lender, 20% of the Rueil SCCV (the entity performing the redevelopment) at a nominal amount, for a 10-year period.

As at December 31, 2019 and 2018, €17,166 was funded by the REIT as a loan. The remaining commitment amounting to €4,584 has been permanently cancelled. The loan is secured by a 2nd rank share pledge that would enable the REIT to obtain 80% of the shares of Rueil SCCV.

Advance interest payments have been received by the REIT. These advance interest payments partially cover accrued interest at 8.5% due on the loan for subsequent financial periods ending June 2020. Advance payments related to the accrued interests have been classified as deferred income. As at December 31, 2019, and December 31, 2018, advance payments related to accrued interest for future periods amount respectively to $1,024 and $3,380 (2018 - of which $1,099 were presented as non-current liabilities).

Following the significant change in fair value in 2018, the derivative (call option) is presented separately (refer to note 10).

Note 10 – Derivative financial instruments

A summary of the derivative financial instruments held by the REIT is outlined below:

		Period covered		Conversion from/to			As at December 31, 2019			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Derivatives designated for hedge accounting										
Foreign exchange	10	10/01/2020	09/10/2020	786	1,300	1.6534	13,000	1,429	1,429	-
Other derivatives										
Call option related to the acquisition loan								9,124	9,124	-
Interest rate FLOOR	2	01/01/2020	21/03/2021	Variable	Floored	0.000%	73,688	286	275	10
								10,839	**10,828**	**10**
Other derivatives										
Interest rate SWAP	1	01/01/2020	23/12/2021	Variable	Fixed	0.394%	17,500	(302)	(159)	(143)
Interest rate SWAP	1	01/01/2020	10/01/2023	Variable	Fixed	0.282%	48,666	(858)	(309)	(549)
Interest rate CAP	2	31/12/2019	31/12/2024	Variable	Capped	1.000%	60,642	(1,500)	(333)	(1,167)
Interest rate SWAP	2	01/01/2020	21/03/2024	Variable	Fixed	0.230%	73,688	(1,308)	(433)	(875)
Interest rate SWAP	1	01/01/2020	08/07/2020	Variable	Fixed	0.528%	31,000	(260)	(260)	-
								(4,228)	**(1,494)**	**(2,734)**

		Period covered		Conversion from/to			As at December 31, 2018			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Derivatives designated for hedge accounting										
Foreign exchange	4	11/01/2019	12/04/2019	659	1,000	1.5180	4,000	(127)	(127)	-
Foreign exchange	4	10/01/2019	10/04/2019	204	300	1.4734	1,200	(76)	(76)	-
Foreign exchange	18	10/05/2019	09/10/2020	792	1,300	1.6412	23,400	572	267	306
Other derivatives										
Call option related to the acquisition loan								6,750	6,750	-
								7,119	**6,814**	**306**
Other derivatives										
Interest rate SWAP	1	01/01/2019	01/07/2019	Variable	Fixed	0.685%	74,968	(363)	(363)	-
Interest rate SWAP	1	01/01/2019	23/12/2021	Variable	Fixed	0.394%	19,527	(299)	(133)	(166)
Interest rate SWAP	1	01/01/2019	10/01/2023	Variable	Fixed	0.282%	53,505	(635)	(343)	(292)
Interest rate CAP	2	31/12/2018	31/12/2024	Variable	Capped	1.000%	67,179	(1,306)	(368)	(938)
								(2,603)	**(1,207)**	**(1,396)**

Following the completion of the refinancing of the Metropolitain and Veronese properties on March 18, 2019, and March 21, 2019, the REIT terminated its interest rate cap in Veronese and contracted two new interest rate swaps and two interest rate floors in March 2019. In addition, when the REIT completed the purchase of Arcueil property on December 18, 2019, the REIT recognized Arcueil interest rate swap. These arrangements are settled on a net basis at every interest payment date. These contracts are not designated as part of a hedging relationship. Accordingly, they are classified as financial instruments at fair value through profit or loss, with changes in fair value recognized in profit or loss.

Note 10 – Derivative financial instruments (Cont'd)

Call option related to the acquisition loan

Under the call option, the REIT is granted an option for the purchase of 20% of the shares of the SCCV entity holding the property for an exercise price equal to the nominal share value.

The main assumptions used to calculate the level 3 fair value of the option include (i) the level of expected gain on the sale of the property and (ii) the probability of realization of that gain.

	As at December 31, 2018	Reclassification	Fair value changes	Foreign exchange movement	As at December 31, 2019
Call option related to the acquisition loan	6,750	-	2,892	(518)	**9,124**
Call option related to the acquisition loan	**6,750**	**-**	**2,892**	**(518)**	**9,124**

	As at December 31, 2017	Reclassification (1)	Fair value changes	Foreign exchange movement	As at December 31, 2018
Call option related to the acquisition loan	-	1,553	5,051	146	**6,750**
Call option related to the acquisition loan	**-**	**1,553**	**5,051**	**146**	**6,750**

(1) Since 2018, following the significant change in fair value, the call option related to the acquisition loan is presented separately in the table above.

Note 11 – Trade receivables and other financial assets

	As at December 31, 2019	As at December 31, 2018
Trade receivables	**1,595**	1,761
Trade receivables - Inovalis SA	**200**	52
Provision for impairment of trade receivables	**(60)**	-
Trade receivables	**1,735**	**1,813**
Other receivables	**1,747**	794
Other receivables - Inovalis SA	**88**	796
Other receivables - Joint ventures	**507**	243
Interest receivables - Joint ventures	**360**	354
Other current financial assets	**2,702**	**2,187**
Total trade receivables and other financial assets	**4,437**	**4,000**

Note 12 – Other current assets

	As at December 31, 2019	As at December 31, 2018
VAT and other sales tax receivables	**1,928**	987
Prepaid expenses	**165**	93
Other current assets	**2,093**	**1,080**

Note 13 – Assets held for sale

In January 2019, the REIT sold its interest in the Hanover property, which was classified as assets held for sale at December 31, 2018, to a third party.

Assets held for sale and liabilities related to assets held for sale on December 31, 2018, were:

Assets	At the date of disposal	As at December 31, 2018
Non-current assets		
Investment property	37,378	39,030
Total non-current asset	**37,378**	**39,030**
Current assets		
Trade and financial assets	9	62
Other current assets	34	51
Cash	952	884
Total current assets	**995**	**997**
Total assets	**38,373**	**40,027**

Liabilities	At the date of disposal	As at December 31, 2018
Non-current liabilities		
Mortgage loans	18,730	19,523
Deferred tax liabilities	1,444	1,508
Total non-current liabilities	**20,174**	**21,031**
Current liabilities		
Trade and other payables	842	723
Other current liabilities	47	38
Total current liabilities	**889**	**761**
Total liabilities	**21,063**	**21,792**
Net assets held for sale	**17,310**	**18,235**

The loss on disposal of the net assets held for sale was €36 ($56).

	(in 000's of €)	(in 000's of $)
Net assets held for sale	11,559	17,310
Minority interest	(230)	(342)
Total attributable to the Unitholders' of the Trust	**11,329**	**16,968**
Cash received	11,313	16,942
Disposal costs	(20)	(30)
Loss on disposal of investment properties	**(36)**	**(56)**

Note 14 – Restricted cash

The restricted cash includes a guarantee deposit of €1,000 ($ 1,456) in relation to the bank loan agreement in place for the Veronese investment property (refer to Note 16) and €2,572 ($ 3,747), of which €342 ($498) in current assets, in relation to capital expenditure reserve for the TRIO property.The Veronese's guarantee deposit should be repaid at the latest at the maturity date of the financing agreement (March 31, 2031).

As at December 31, 2018, the restricted cash includes a guarantee deposit of €1,000 ($ 1,564) in relation to the lease agreement in place for the Metropolitan investment property (refer to Note 16). The guarantee deposit has been repaid in January 2019.

Note 15 – Promissory Notes

The REIT entered into three private placements in the form of Euro denominated interest bearing promissory notes ("Note 1"," Note 2", "Note 3" and collectively the "Promissory Notes") through its subsidiary CCE to a single non-Canadian investor (the "Investor") as summarized below. The REIT incurred issuance fees of 3% and may incur financing fees equal to the product of the amount of the monthly distribution payable on a REIT Unit that exceeds a stated amount (the "Distribution Threshold") and the Equivalent REIT Units. CCE has the option to repay all or any portion of the promissory notes following the first anniversary of the issue date of each promissory note.

On the issue date of Note 1, Note 2 and Note 3, the Trust entered into put and call agreements with the investor. Pursuant to put and call agreements, the investor has the right to require the Trust, beginning one year following the first anniversary of the issue date of the promissory note, to purchase all or any portion of the Promissory Notes (the "Put Option") for a cash consideration equal to the amount of the Promissory Notes being acquired, divided by the applicable conversion rate applicable to the issuance of the Promissory Notes (the "Conversion Rate") and multiplied by the market price of the units of the Trust at the time the Put Option is exercised.

The Trust has the right to require the investor to sell, at any moment, all or any portion of the Promissory Notes (the "Call Option") by delivering Trust units equivalent to the value of Promissory Notes being acquired divided by the applicable Conversion Rate.

The Equivalent Trust Units are the number of Units that the Trust would have to be issued if required to settle the Put Option or the Call Option for all promissory notes by issuing units.

Promissory Notes were issued as follows:

	Issue Date	Maturity Date	Notional value (in 000's of €)	Interest rate	Isuance Fee (in 000's of €)	Distribution Threshold	Equivalent Trust Units	Conversion Rate
Notes 1	22-Jun-17	22-Jun-20	9,146	8.18%	274	$ 0.06900	1,360,449	6.72280
Notes 2	4-Oct-17	4-Oct-20	7,262	8.13%	218	$ 0.06900	1,091,103	6.65570
Notes 3	19-Apr-18	19-Apr-21	13,584	7.95%	408	$ 0.06875	2,121,008	6.40450
Total Promissory Notes			**29,992**		**900**		**4,572,560**	

On August 11, 2017, and on July 31, 2018, the REIT completed partial repayments of Promissory Note 1 were done for €440 ($ 640) and €86 ($ 132) respectively.

The fair value of the Promissory Notes (including the Put Option and Call Option) is estimated at $ 47,909 as at December 31, 2019 (2018 - $ 42,471).

As at December 31, 2019

	Principal (in 000's of €)	Principal (in 000's of $)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,620	12,555	8.18%	1,282,190	13,668
Notes 2	7,262	10,576	8.13%	1,091,103	11,631
Notes 3	13,584	19,786	7.95%	2,121,008	22,610
Total Promissory Notes	**29,466**	**42,917**		**4,494,301**	**47,909**

As at December 31, 2018

	Principal (in 000's of €)	Principal (in 000's of $)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,620	13,479	8.18%	1,282,190	12,117
Notes 2	7,262	11,355	8.13%	1,091,103	10,311
Notes 3	13,584	21,242	7.95%	2,121,008	20,043
Total Promissory Notes	**29,466**	**46,076**		**4,494,301**	**42,471**

Note 16 – Mortgage loans, lease liabilities and interest-bearing loan

The REIT has the option to purchase each of the properties at the end of their respective leases. The fixed price of the purchase option is expected to be lower than the fair value at the date the option becomes exercisable.

					As at December 31, 2019		
Entity	**Nominal value** (in 000's of €)	**Nominal value** (in 000's of $)	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeûneurs SCI	28,168	41,027	Euribor 3M + 1.75% [2]	26/10/2027	40,769	39,631	1,138
Mortgage loan - Véronèse SCI	8,476	12,345	Euribor 3M + 1.90% [2]	21/03/2031	12,158	11,011	1,147
Mortgage loan - Sablière SCI	12,015	17,500	Euribor 3M + 1.59% [3]	23/12/2025	17,432	16,659	773
Mortgage loan - Cancorp Trio 1	31,200	45,443	1,56%	15/03/2024	44,515	44,060	455
Mortgage loan - Baldi SCI	13,434	19,567	Euribor 3M + 1.75% [2]	26/10/2027	19,486	18,801	685
Mortgage loans	**93,293**	**135,882**			**134,360**	**130,162**	**4,198**
Lease liabilities - Lenine Arcueil SCI	42,093	61,308	Euribor 3M + 2,20%	08/07/2027	64,493	59,301	5,192
Lease liabilities - Metropolitain SCI	41,801	60,883	Euribor 3M + 1.84% [3]	18/03/2031	59,385	57,667	1,718
Lease liabilities	**83,894**	**122,191**			**123,878**	**116,968**	**6,910**
Total mortgage loans and lease liabilities	**177,187**	**258,073**			**258,238**	**247,130**	**11,108**

					As at December 31, 2018		
Entity	**Nominal value** (in 000's of €)	**Nominal value** (in 000's of $)	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeûneurs SCI	29,028	45,391	Euribor 3M + 1.75% [2]	26/10/2027	44,925	43,767	1,158
Mortgage loan - Véronèse SCI [1]	7,675	12,001	Euribor 3M + 1.75% [2]	05/05/2019	12,006	-	12,006
Mortgage loan - Sablière SCI	12,488	19,527	Euribor 3M + 1.59% [3]	23/12/2025	19,427	18,705	722
Mortgage loan - Baldi SCI	13,934	21,789	Euribor 3M + 1.75%	26/10/2027	21,621	20,919	702
Mortgage loans	**63,125**	**98,708**			**97,979**	**83,391**	**14,588**
Mortgage loan - CancorpHanover GmbH KG [4]	12,600	19,703	Euribor 3M + 1.45%	31/12/2022	19,523	19,523	-
Mortgage loan	**12,600**	**19,703**			**19,523**	**19,523**	**-**
Lease liabilities - BBA SCI	43,678	68,299	Euribor 3M + 2.00% [3]	20/06/2026	73,679	68,299	5,380
Lease liabilities - Metropolitain SCI	33,413	52,248	Euribor 3M + 1.85% [3]	20/03/2028	53,505	52,248	1,257
Lease liabilities	**77,091**	**120,547**			**127,184**	**120,547**	**6,637**
Total mortgage loans and lease liabilities	**152,816**	**238,958**			**244,686**	**223,461**	**21,225**

(1) *These are debt with no interim capital repayment*
(2) *Interest rate is subject to a CAP – See Note 10 – Financial derivatives and hedging activities*
(3) *Interest rate is subject to a SWAP – See Note 10 – Financial derivatives and hedging activities*
(4) *Presented in liabilities directly associated with assets held for sale ($19,253)*

2019

In March 18, 2019, the REIT entered into a new lease for the Metropolitan property in the amount of €43,000 ($ 64,775), with a twelve-year term and a fixed rate of interest of 2.07% for five years, after which the interest rate is variable based on 1.84% + Euribor 3M. Expenditures associated with obtaining the new financing of €901 ($1,357) will be amortized over the twelve-year term. The loan is secured by the Metropolitan investment property.

In March 21, 2019, the REIT closed a new mortgage loan in the amount of €9,500 ($14,311), with a twelve-year term and a fixed rate of 2.13%, after which the interest rate is variable based on 1.90% + Euribor 3M. The issuance costs amounted to €144 ($218). The loan is secured by the Veronese investment property.

On March 27, 2019, in connection with the acquisition of the Trio asset, the REIT closed a new mortgage loan in the amount of €31,200 ($45,443), with a five-year term and a fixed rate of 1.56%. The loan is secured by the Trio investment property.

As part of the sale of Vanves property on December 16, 2019, BBA exercised the lease purchase option.

Note 16 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

Following the acquisition of the 100 % of the Arcueil property previously held in the Arcueil joint venture on December 18, 2019, discussed further in Note 6, the REIT is now bearing a new lease liability in the amount of €42,093 ($61,308), maturing in July 2027 and bearing a fixed rate of 2.73% until July 2020, after which the interest rate will become variable based on 2.2% + Euribor 3M. The fair value of the lease liability at acquisition was established at €44,279 ($64,537).

Minimum lease payments and the present value of lease liabilities are as follows:

	As at December 31, 2019		As at December 31, 2018	
Carrying value and minimum lease payments	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**6,910**	**8,168**	6,637	9,719
After 1 year, but not more than 5 years	**27,523**	**32,347**	30,979	40,945
More than 5 years	**89,445**	**95,458**	89,568	97,942
	123,878	**135,973**	**127,184**	**148,606**
Less : future interest costs		**(12,095)**		(21,422)
Total lease liabilities	**123,878**	**123,878**	**127,184**	**127,184**

Payments for each of the next five years of the mortgage loans are as follows :

	As at December 31, 2019		As at December 31, 2018	
Carrying value and minimum lease payments	**Carrying value**	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**4,198**	**6,941**	14,588	16,641
After 1 year, but not more than 5 years	**61,955**	**70,637**	14,024	20,527
More than 5 years	**68,207**	**74,041**	69,367	76,713
	134,360	**151,619**	**97,979**	**113,881**
Less : future interest costs		**(17,259)**		(15,902)
Total mortgage loans	**134,360**	**134,360**	**97,979**	**97,979**

Interest-bearing loan

The interest-bearing loan of $ 477 at December 31, 2019 is repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan has a 6.5 years term and bears a market practice interest at a fixed rate of 6.5%. The conditions of the loan are in mirror to the ones given by the REIT loan to the prop-co of the Trio asset.

Note 17 – Lease equalization loans

			As at December 31, 2019			
Entity	**Interest rate**	**Maturity**	**Total** (in 000's of €)	**Total** (in 000's of $)	**Non current** (in 000's of $)	**Current** (in 000's of $)
Lease equalization loan - BBA SCI	5%	30/09/2021	903	1,315	-	1,315
Lease equalization loan - Baldi SCI	5%	31/12/2021	483	704	343	361
Total lease equalization loans			**1,386**	**2,019**	**343**	**1,676**

Following the sale of BBA, the lease equalization loan has been repaid on March 9, 2020.

			As at December 31, 2018			
Entity	**Interest rate**	**Maturity**	**Total** (in 000's of €)	**Total** (in 000's of $)	**Non current** (in 000's of $)	**Current** (in 000's of $)
Lease equalization loan - BBA SCI	5%	30/09/2021	1,419	2,219	1,394	825
Lease equalization loan - Véronèse SCI	5%	30/09/2019	60	94	-	94
Lease equalization loan - Baldi SCI	5%	31/12/2021	641	1,002	736	266
Total lease equalization loans			**2,120**	**3,315**	**2,130**	**1,185**

Note 17 – Lease equalization loans (Cont'd)

Inovalis SA entered into lease equalization agreements with the REIT, which have the effect of equalizing the rent payments providing the REIT with stable and predictable monthly revenue over the term of certain leases in the BBA, Veronese and Baldi properties.

Under the lease equalization agreements, Inovalis SA were required to make payments to the REIT on a quarterly basis during the period commencing on April 16, 2013, and ending on September 30, 2015, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $4,596 in the aggregate.

For BBA SCI, the REIT is required to make repayments to Inovalis SA, on a quarterly basis during the period commencing on January 1, 2016, and ending on September 30, 2021, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $4,596 in the aggregate, plus 5.00% per annum of such amount, which shall begin to accrue on any amount when such amount is advanced by Inovalis SA.

For Veronese SCI, Inovalis SA was also required to make payments on a quarterly basis during the period commencing on April 16, 2013, and ending on September 30, 2015, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $357 in the aggregate. Veronese SCI have been required to make payments to Inovalis SA, on a quarterly basis during the period commencing on January 1, 2016, and ending on September 30, 2019, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $357 in the aggregate, plus 5.00% per annum of such amount which was accrued on any amount when such amount is advanced by Inovalis SA. The loan has been repaid in 2019.

For Baldi SCI, Inovalis SA is also required to make payments on a quarterly basis during the period commencing on January 1, 2015, and ending on December 31, 2016, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $1,397 in the aggregate. Baldi SCI will be required to make payments to Inovalis SA, on a quarterly basis during the period commencing on January 1, 2017, and ending on December 31, 2021, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $1,390 in the aggregate, plus 5.00% per annum of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis SA.

Payments for each of the next five years of lease equalization loans are as follows:

	As at December 31, 2019		As at December 31, 2018	
Carrying value and minimum lease payments	**Carrying value**	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**1,676**	**1,769**	1,185	1,325
After 1 year, but not more than 5 years	**343**	**353**	2,130	2,240
More than 5 years	**-**	**-**	-	-
	2,019	**2,122**	**3,315**	**3,565**
Less : future interest costs		**(103)**		(250)
Totallease equalization loans	**2,019**	**2,019**	**3,315**	**3,315**

Note 18 – Exchangeable Securities

Exchangeable securities issued and outstanding	Exchangeable securities: Number of Exchangeable securities	Exchangeable securities: Carrying amount of Exchangeable securities
Balance -December 31, 2017	**1,679,370**	**16,743**
Asset management fees paid in exchangeable securities	229,740	2,280
Conversion of exchangeable securities into units of the REIT	(1,064,437)	(9,559)
Net change in fair value of exchangeable securities	-	(1,482)
Balance -December 31, 2018	**844,673**	**7,982**
Asset management fees paid in exchangeable securities	**142,909**	**1,501**
Conversion of exchangeable securities into units of the REIT	**(90,500)**	**(792)**
Net change in fair value of exchangeable securities	**-**	**871**
Balance - December 31, 2019	**897,082**	**9,562**

Exchangeable securities in escrow	Number in escrow - presented as non-current	As at December 31, 2019: Number not in escrow - presented as current	As at December 31, 2019: Total number of Exchangeable securities
Number of exchangeable securities - outstanding - beginning of period	505,722	338,951	844,673
Partial release of exchangeable securities in escrow	(252,861)	252,861	-
Securities issued in lieu of asset management fees		142,909	142,909
Securities converted into units		(90,500)	(90,500)
Number of exchangeable securities - outstanding - end of period	**252,861**	**644,221**	**897,082**
Classification of liabilities for exchangeable securities ($)	2,695	6,867	9,562

Exchangeable securities in escrow	Number in escrow - presented as non-current	As at December 31, 2018: Number not in escrow - presented as current	As at December 31, 2018: Total number of Exchangeable securities
Number of exchangeable securities - outstanding - beginning of year	692,821	986,549	1,679,370
Partial release of exchangeable securities in escrow	(252,861)	252,861	-
Securities issued in lieu of asset management fees	65,762	163,978	229,740
Securities converted into units	-	(1,064,437)	(1,064,437)
Number of exchangeable securities - outstanding - end of year	**505,722**	**338,951**	**844,673**
Classification of liabilities for exchangeable securities ($)	4,779	3,203	7,982

Distributions in respect of Exchangeable Securities:

The Exchangeable Securities entitle the holders, Inovalis SA, to cash distributions from CCE equal, on a per Unit basis, to the distributions paid to holders of Units by the REIT.

The following table breaks down distribution payments for the years ended December 31:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Amount payable at the beginning of the year	**249**	262
Declared and recognized in earnings during the year	**708**	1,016
Distribution on exchangeable securities paid in cash	**(707)**	(1,029)
Amount payable at the end of the period	**250**	**249**

Note 19 – Trade and other payables

	Note	As at December 31, 2019	As at December 31, 2018
Trade payables		**5,614**	1,298
Trade payables - Inovalis SA		**795**	2,108
Trade payables		**6,409**	**3,406**
Other payables		**1,115**	1,333
Other payables - Inovalis SA		**407**	219
Other payables - Joint ventures	*6*	**13,748**	-
Distributions payable	*26*	**1,978**	1,617
Distributions payable - Inovalis SA	*18*	**250**	249
VAT payable		**10,429**	321
Other payables		**27,927**	**3,739**
Total trade and other payables		**34,336**	**7,145**

Other payables as at December 31, 2019 include the costs associated with issuing the prospectus in December 2019 and represent underwriting expenses, legal fees incurred in Canada and Europe, French translation and related expenses.

Note 20 – Trust Units

Trust Units

The REIT is authorized to issue an unlimited number of units and an unlimited number of Special Voting Units.

The beneficial interests of the REIT are comprised of a single class of units which represent a unitholders' proportionate undivided beneficial interest in the REIT. No unit has any preference over any other unit. Each unit confers the right to one vote at any meeting of unitholders and to participate on a pro rata basis in any distributions by the REIT and, in the event of the termination of the REIT, in the net assets of the REIT remaining after the settlement of all liabilities of the Trust. The units of the Trust are redeemable at the demand of the unitholders at the fair market value of the units at that time.

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 18 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at December 31, 2019, 897,082 Special Voting Units were issued and outstanding (2018 – 844,673).

2019

On December 23, 2019, the REIT closed a public offering of 4,835,110 trust units at a price of $10.65 per unit for total gross proceeds to the REIT of $51,494 reduced by the offering costs amounting to $3,217 i.e. net proceeds of $48,277.

During the year, Inovalis SA converted 90,500 Exchangeable Securities in the amount of $792 into 90,500 units of the REIT (see Note 18 – Exchangeable Securities).

2018

During the year, Inovalis SA converted 1,064,437 Exchangeable Securities in the amount of $9,559 into 1,064,437 units of the REIT (see Note 18 – Exchangeable Securities).

Note 21 – Non-controlling interest

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are after inter-company eliminations.

Summarised balance sheet	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		Hanover Cancorp GmbH KG	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Current assets										
Cash and cash equivalents	2 011	-	75	-	80	-	254	2 064	-	877
Other current assets	21	-	269	-	178	-	1 526	845	-	102
Total current assets	**2 032**	**-**	**344**	**-**	**258**	**-**	**1 780**	**2 909**	**-**	**979**
Non-current assets	**24 370**	**-**	**16 703**	**-**	**22 167**	**-**	**88 383**	**68 204**	**-**	**28 178**
Current liabilities										
Financial liabilities	178	-	124	-	157	-	1 718	1 257	-	-
Other current liabilities	207	-	261	-	267	-	509	740	-	714
Total current liabilities	**385**	**-**	**385**	**-**	**424**	**-**	**2 227**	**1 997**	**-**	**714**
Non-current liabilities										
Financial liabilities	17 166	-	12 085	-	15 283	-	60 282	53 612	-	19 523
Other non-current liabilities	55	-	37	-	48	-	0	0	-	1 508
Total non-current liabilities	**17 221**	**-**	**12 122**	**-**	**15 331**	**-**	**60 282**	**53 612**	**-**	**21 031**
Equity	**8 796**	**-**	**4 540**	**-**	**6 670**	**-**	**27 654**	**15 504**	**-**	**7 412**
Equity attribuable to non-controlling interest	**411**	**-**	**205**	**-**	**306**	**-**	**278**	**156**	**-**	**363**

Summarised statement of comprehensive income	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		Hanover Cancorp GmbH KG	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Net rental income	1 271	-	762	-	972	-	3 575	3 447	91	2 046
Administration expenses	(265)	-	(171)	-	(215)	-	(426)	(527)	(46)	(262)
Net change in fair value of investment properties	(259)	-	(55)	-	(293)	-	5 898	4 820	-	(2 125)
Net change in fair value of financial derivative	-	-	-	-	-	-	(1 123)	(456)	-	-
Finance costs	(315)	-	(320)	-	(350)	-	(3 444)	(3 730)	(1 333)	(1 243)
Current income tax income (expense)	(12)	-	(14)	-	(30)	-	-	-	-	-
Deferred income tax recovery (expense)	(55)	-	(39)	-	(49)	-	-	-	1 432	(776)
Profit (loss) for the year	**365**	**-**	**163**	**-**	**35**	**-**	**4 480**	**3 554**	**144**	**(2 360)**
Profit allocated to non-controlling interest	**18**	**-**	**8**	**-**	**2**	**-**	**45**	**36**	**9**	**108**

The net change in fair value for the investment property Hanover Cancorp GmbH KG arose due to the sale of the underlying asset.

Note 22 – Revenue

	For the year ended December 31, 2019	For the year ended December 31, 2018
Regular rents	**26,191**	26,362
Amortization of rent free periods (lease incentives)	**(667)**	(928)
Rental income	**25,524**	**25,434**
Property operating cost recoveries	**7,966**	7,248
Total revenue	**33,490**	**32,682**

At December 31, the property operating cost recoveries were as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Within 1 year	**26 360**	27 134
After 1 year, but not more than 5 years	**47 188**	50 553
More than 5 years	**4 365**	16 171
Future minimum lease receivable under non-cancellable operating leases	**77 913**	**93 858**

Note 22 – Revenue (Cont'd)

In 2019, two tenants accounted for more than 10% of rental income: France Telecom (30%) and Conservatoire National des Arts et Métiers (12%). The Hannover building with the Sparkasse as tenant was sold in 2019.

In 2018, three tenants accounted for more than 10% of rental income: France Telecom (30%), Sparkasse (25%) and Conservatoire National des Arts et Métiers (12%).

Future minimum lease receivable under non-cancellable operating leases are as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Taxes	**2 757**	2 796
Insurance	**118**	159
Utilities and other cost recoveries	**5 091**	**4 293**
Property operating cost recoveries	**7 966**	**7 248**

Note 23 – Administration expenses

	For the year ended December 31, 2019	For the year ended December 31, 2018
Asset management fees - Inovalis SA	**(3,138)**	(3,479)
Less : amount reinvoiced to joint ventures	**1,512**	1,532
	(1,626)	**(1,947)**
Professional fees for accounting, tax and audit	**(2,253)**	(1,094)
Legal expenses	**(901)**	(514)
Trustee fees	**(318)**	(276)
Travel expenses	**(298)**	(271)
Communication expenses	**(78)**	(186)
Bank expenses	**(107)**	(166)
Other general and administrative expenses	**(967)**	(769)
Total administration expenses	**(6,548)**	**(5,223)**

Note 24 – Finance costs and finance income

	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest costs related to mortgage loans	**(2,218)**	(2,149)
Interest costs related to leases liabilities	**(2,657)**	(2,470)
Interest costs related to lease equalization loans	**(156)**	(183)
Interest costs related to promissory notes	**(3,528)**	(3,105)
	(8,559)	**(7,907)**
Interest SWAP & CAP	**(1,253)**	(1,610)
Other finance costs	**(74)**	(468)
	(9,886)	**(9,985)**
Amortization of transaction costs on mortgage loans	**(305)**	(289)
Finance costs	**(10,191)**	**(10,274)**
Finance income from a company controlled by Inovalis SA relating to the acquisition loan	**2,970**	2,684
Financial income from joint venture loans	**4,866**	5,091
Other finance income	**1,012**	-
Finance income	**8,848**	**7,775**

Note 25 – Income taxes

A reconciliation between the expected income taxes based upon the 2019 and 2018 statutory rates and the income tax expense recognized during the years ended December 31, 2019 and December 31, 2018 is as follows:

Income tax expense	**2019**	**2018 restated (Note 34)**
Earnings before income taxes	**37,344**	27,970
Income taxes computed at the statutory rate of 0% that is applicable to the Reit		
Deferred tax on fair value of investment properties	**920**	(12,153)
Deferred tax on losses carried forward	**-**	(81)
Current income tax expense	**(1,733)**	(131)
Other deferred tax	**-**	-
Income tax expense	**(813)**	**(12,365)**

The current income tax expense includes the withholding tax on dividend distribution following the sale of Vanves property for an amount of €1,052 ($1,563).

	Balance Sheet		Statement of Earnings	
Deferred tax liability	**As at December 31, 2019**	**As at December 31, 2018 as restated**	**2019**	**2018 restated (Note 34)**
Losses carryforward	**-**	-	**-**	(81)
Revaluations of investment properties to fair value	**12,295**	14,169	**920**	(12,153)
	12,295	**14,169**	**920**	**(12,234)**

Note 26 – Distributions

	For the year ended December 31, 2019	**For the year ended December 31, 2018**
Amount payable at the beginning of the year	**1,617**	1,529
Declared and recognised during the year	**19,905**	18,927
Distributions paid in units	**(3,015)**	(2,144)
Paid in cash	**(16,529)**	(16,695)
Amount payable at the end of the period	**1,978**	**1,617**

In December 2019, the distribution of $1,978 for the month of December was declared, of which $1,978 was paid on January 15, 2020.

The REIT’s Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. In addition, on December 31 of each year, having regard to the present intention of the trustees, the REIT intends to make payable to such unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non-capital losses recognized on or before the end of such year such that the REIT will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15.

Notwithstanding the REIT’s distribution policy, the trustees retain full discretion with respect to timing and quantum of distributions if declared.

Distributions in respect of Exchangeable Securities are detailed in Note 18 – Exchangeable Securities.

Note 27 – Accumulated other comprehensive income

	As at December 31, 2019	As at December 31, 2018 As restated
Net unrealized gains on derivatives designated as a hedge of the net investment in foreign entities	**2,463**	863
Derivatives designated as cashflow hedges - Net gains (losses)	**-**	(404)
Cumulative translation adjustment account	**12,128**	35,538
Accumulated other comprehensive income	**14,591**	**35,997**

Note 28 – Risk arising from financial instruments

The REIT is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's exposure to the risk of changes in market interest rates relates to the long-term debt obligations with floating interest rates related to leases and mortgage loans.

The interest rate risk is mitigated by the REIT's strategy using derivative financial instruments on mortgage loans and on the lease liabilities. On December 31, 2019, after taking into consideration the effect of interest rate swap and interest rate cap, 83 % of the REIT's long-term debt obligation has no exposure to interest rate risk (2018–92 %).

The following table illustrates the sensitivity of profit or loss and equity to reasonably possible change in interest rates. It was considered that any further decreases in the interest rates would be unlikely or insignificant given the low rates at the reporting period end. The calculations are based on a change in the average market rate for each period presented, and the leases held at the reporting date that was sensitive to changes in interest rates.

		As at December 31, 2019	
Interest rate sentivity	**Net debt exposure**	**Impact on profit and loss**	**Impact in Equity**
	44,514		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on profit and loss and equity		(223)	(223)

		As at December 31, 2018	
Interest rate sentivity	**Net debt exposure**	**Impact on profit and loss**	**Impact in Equity**
	19,523		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on profit and loss and equity		(98)	(98)

Note 28 – Risk arising from financial instruments (Cont'd)

Currency Risk

Financial assets and liabilities denominated in foreign currencies		As at December 31, 2019 – Exposure to Euro: Short-term exposure	Long-term exposure	Total
Monetary assets denominated in other than functional currency		34,508	48,220	82,728
Monetary liabilities denominated in other than functional currency		(30,624)	(171,559)	(202,183)
Net exposure in respect of monetary items denominated in other than functional currency		3,884	(123,339)	(119,455)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		(13,000)		(13,000)
Net exposure		(9,116)	(123,339)	(132,455)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	(912)	(12,334)	(13,246)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	912	12,334	13,246

Financial assets and liabilities denominated in foreign currencies		As at December 31, 2018 – Exposure to Euro: Short-term exposure	Long-term exposure	Total
Monetary assets denominated in other than functional currency		20,631	48,944	69,575
Monetary liabilities denominated in other than functional currency		(18,354)	(145,661)	(164,014)
Net exposure in respect of monetary items denominated in other than functional currency		2,277	(96,717)	(94,440)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		(15,600)	(13,000)	(28,600)
Net exposure		(13,323)	(109,717)	(123,040)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	(1,332)	(10,972)	(12,304)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	1,332	10,972	12,304

The REIT operates in France and Germany, and the functional currency for these operations is the Euro. The REIT's distributions are paid to unitholders in Canadian dollars. Thus, the cash available for distribution to unitholders could be adversely impacted by currency variations. In order to ensure the predictability of distributions to its unitholders, the REIT hedges its net investment in foreign operation using foreign currency exchange contracts. As such, the exchange rate relating to 100% of the REIT's current distributions are secured by these foreign currency forward contracts until October 2020. Refer to Note 10 for a summary of the foreign exchange contracts in place.

Credit Risk

Credit risk is the risk that counterpart will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT is directly exposed to credit risk from its leasing activities and its investing activities, including the acquisition loans, trades and other receivables, loans in other current financial assets, derivatives, deposits with banks and financial institutions. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on December 31.

Acquisition Loan

The risk is covered by the second rank pledge of SCCV Rueil shares as well as the expected gain on property sales performed by the borrower. The transaction was secured by the signing of a 12-year lease agreement with Danone. The construction of the building began, and proceeds in accordance with the delivery schedule expected for the second quarter of 2020. The sale agreement signed in December 2019, confirms the asset value in its future state of completion at an amount significantly above the estimated construction costs.

Loan to joint ventures

Credit risk relating to loan to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. These financial instruments are considered to have low credit risk. The REIT monitors the debt service ability of the properties underlying the loans to assess for changes in credit risk.

Note 28 – Risk arising from financial instruments (Cont'd)

Credit Risk (Cont'd)

Accounts Receivable

Credit risk is managed by requiring tenants to pay rentals in advance. Also, in certain cases, deposits are obtained from tenants.

Accounts receivable are presented on the consolidated balance sheet, net of allowance for credit losses determined using the simplified method as allowed per IFRS 9. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Management regularly review accounts receivable and monitors past due balances.

Cash deposit and derivatives

The credit risk for cash and derivative financial instruments is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

The REIT's objective is to maintain a balance between continuity of funding and flexibility using bank deposits and loans. Liquidity risk inherent to the financial structure of the business is mainly managed through quarterly updates of short-term cash flow forecasts, follow-up of availability of funding through an adequate amount of committed credit facilities, as well as the status of the maturity of financial assets and liabilities.

The table below summarizes the maturities of the financial liabilities, and the lease liabilities based on contractual undiscounted payments. The undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts on the balance sheet, as the impact of discounting is not significant.

As at December 31, 2019	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	290	6,651	70,637	74,041	**151,619**
Leases principal and interest		8,168	32,347	95,458	**135,973**
Promissory Notes	921	26,836	22,874		**50,631**
Lease equalization loans		1,676	343		**2,019**
Exchangeable securities (value of securities plus interest on notes)	185	555	2,960	9,562	**13,262**
Tenant deposits		577	1,171	759	**2,507**
Derivative financial instruments		260	3,968		**4,228**
Trade and other payables	18,021	5,885			**23,906**
Total	**19,417**	**50,608**	**134,300**	**179,820**	**384,145**

As at December 31, 2018	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans		16,641	20,528	76,713	**113,882**
Leases principal and interest		9,719	40,945	97,942	**148,606**
Promissory Notes	913	2,786	49,488		**53,187**
Lease equalization loans		1,185	2,130		**3,315**
Exchangeable securities (value of securities plus interest on notes)	174	523	2,787	7,982	**11,466**
Tenant deposits		687	1,159	1,021	**2,867**
Derivative financial instruments		363	935	1,305	**2,603**
Trade and other payables	4,220	2,763	563		**7,546**
Total	**5,307**	**34,667**	**118,535**	**184,963**	**343,472**

Note 28 – Risk arising from financial instruments (Cont'd)

Liquidity risk (Cont'd)

In accordance with IFRS, the Trust classifies the Units as equity, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. Under IAS 32, the units are considered a puttable financial instrument because of the holder's option to redeem units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 10-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50 unless waived by the REIT's trustees at their sole discretion.

Classification of financial instruments

The following tables summarize the classification of the REIT's consolidated financial instruments as at December 31, 2019, and 2018:

					As at December 31, 2019
	Measured at Fair Value		Measured at amortized cost		
	Derivatives at FVTPL	**Designated at FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to Joint Ventures			45,489		**45,489**
Acquisition loan			24,744		**24,744**
Derivative financial instruments	1,714				**1,714**
Call option related to the acquisition loan	9,124				**9,124**
Trade receivables and other financial assets			4,437		**4,437**
Restricted cash			5,203		**5,203**
Cash			83,409		**83,409**
Total financial assets	**10,838**	**-**	**163,282**	**-**	**174,120**
Financial liabilities					
Promissory notes		47,909			**47,909**
Mortgage loan				134,360	**134,360**
Lease equalization loans				2,019	**2,019**
Tenant deposits				2,507	**2,507**
Exchangeable securities		9,562			**9,562**
Derivative financial instruments	4,228				**4,228**
Trade and other payables				23,907	**23,907**
Total financial liabilities	**4,228**	**57,471**	**-**	**162,793**	**224,492**

Note 28 – Risk arising from financial instruments (Cont'd)

Classification of financial instruments (Cont'd)

As at December 31, 2018

	Measured at Fair Value		Measured at amortized cost		
	Classified as Held for trading	Designated as FVTPL	Financial assets	Financial liabilities	Total
Financial assets					
Loans to Joint Ventures			50,815		**50,815**
Acquisition loan and deposits			25,719		**25,719**
Derivative financial instruments	370				**370**
Call option related to the acquisition loan	6,750				**6,750**
Trade and other financial assets			4,000		**4,000**
Restricted cash			1,644		**1,644**
Cash			19,994		**19,994**
Total financial assets	**7,120**	**-**	**102,172**	**-**	**109,292**
Financial liabilities					
Promissory notes		42,471			**42,471**
Mortgage loan				117,502	**117,502**
Lease equalization loans				3,315	**3,315**
Tenant deposits				2,867	**2,867**
Exchangeable securities		7,982			**7,982**
Derivative financial instruments	2,603				**2,603**
Trade and other payables				6,824	**6,824**
Total financial liabilities	**2,603**	**50,453**	**-**	**130,508**	**183,564**

Fair value of financial assets and liabilities

The following table provides a comparison of the carrying amounts and fair value of the REIT's financial assets and liabilities that are not carried at fair value in the Consolidated Financial Statements and for which the carrying values are not reasonable approximations of their fair value.

As at December 31, 2019	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	45,489	45,489
Acquisition loan	3	24,744	24,744
Financial liabilities			
Mortgage loan	2	134,360	150,823
Lease equalization loans	2	2,019	2,019
Tenant deposits	2	2,507	2,504

As at December 31, 2018	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	50,815	50,815
Acquisition loan	3	25,719	25,719
Financial liabilities			
Mortgage loan	2	97,979	97,979
Mortgage loan as held for sale		19,523	19,523
Lease equalization loans	2	3,315	3,315
Tenant deposits	2	2,867	2,818

Note 28 – Risk arising from financial instruments (Cont'd)

Fair value of financial assets and liabilities (Cont'd)

The following methods and assumptions were used to estimate the fair values of financial instruments:

- The fair value of the acquisition loan is estimated using the nominal amounts expected to be received at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread. The fair value approximates its carrying amount as there were no material changes during the period in the assumptions used for fair value determination at inception.
- The fair value of the call option is determined based mainly on (i) the expected gain on the sale of the property and (ii) the probability of realization of that gain.
- The fair values of mortgage loans, lease equalization loans and tenant deposits are estimated using the nominal amounts expected to be repaid at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments and non-financial assets measured at fair value on a recurring basis recognized on the consolidated balance sheet by the level of the fair value hierarchy:

	As at December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment properties	-	-	478,700	**478,700**
Derivative financial instruments - assets	-	1,714	-	**1,714**
Call option related to the acquisition loan	-	-	9,124	**9,124**
Derivative financial instruments - liabilities	-	(4,228)	-	**(4,228)**
Exchangeable securities	-	(9,562)	-	**(9,562)**
Promissory notes	-	(47,909)	-	**(47,909)**

	As at December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment properties	-	-	421,937	**421,937**
Investment properties - Assets classified as held for sale	-	-	39,030	**39,030**
Derivative financial instruments - assets	-	370	-	**370**
Call option related to the acquisition loan	-	-	6,750	**6,750**
Derivative financial instruments - liabilities	-	(2,603)	-	**(2,603)**
Exchangeable securities	-	(7,982)	-	**(7,982)**
Promissory notes	-	(42,471)	-	**(42,471)**

There were no transfers between any level during the years ended December 31, 2019, and December 31, 2018.

The REIT's management is responsible for determining fair value measurements included in the Consolidated Financial Statements, including Level 3 fair values.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is in Note 7 – Investment properties. The gains or losses relating to the investment properties are recognized in the consolidated statement of earnings lines entitled "Net change in fair value of investment properties". The entire amount of gain or loss reported on this line in the reporting period is unrealized except for the portion of the gain realized on the sale of BBA and of Hanover investment properties during the year ended December 31, 2019.

Note 28 – Risk arising from financial instruments (Cont'd)

Fair value hierarchy (Cont'd)

The following methods and assumptions were used to estimate the above-mentioned fair values:

- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.
- The fair value of the Exchangeable Securities and the Promissory Notes is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one to one basis throughout their life at the request of the unit holders, and upon maturity of the underlying notes, at the request of the REIT. Other features of the Exchangeable Securities and the Promissory Notes have no significant impact on their fair value.

Note 29 – Transactions with related parties

Inovalis SA – Asset manager

Pursuant to the Management Agreement, Inovalis SA is the asset manager of the REIT and provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT and its subsidiaries.

Unless otherwise stated, none of these transactions incorporated special terms and conditions. Outstanding balances are usually settled in cash, except for management fees to Inovalis SA that were settled quarterly through the issuance of exchangeable securities until Q1 2018 included (refer to Note 18 - Exchangeable Securities). The amended management agreement allows for the management fees can be settled quarterly through the issuance of either exchangeable securities or in cash. Since Q2 2018, the management fees were settled half in exchangeable securities and half in cash based on the REIT's projected cash requirements and following the approval of the Board of Trustees.

Note 29 – Transactions with related parties (Cont'd)

Inovalis SA – Asset manager

Inovalis and its subsidiaries	Financial statement line item	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenues				
Other services	Other revenues		**-**	226
Acquisition fees reimbursed	Other revenues	D	**-**	240
Interest income from acquisition loan	Finance income	24	**2,970**	2,684
			2,970	**3,150**
Expenses				
Asset management fees	Administration expenses	A	**(1,626)**	(1,947)
Facilities management fees	Service charge expenses	B	**(473)**	(443)
Property management Fees	Service charge expenses	C	**(1,290)**	(1,308)
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(708)**	(1,016)
Interest expense on lease equalization loans	Finance costs	24	**(156)**	(183)
Reimbursment of travel expenses	Administration expenses		**(248)**	(271)
Trustee fees	Administration expenses		**(318)**	(276)
			(4,819)	**(5,444)**
Unitholders' Equity				
Conversion of Exchangeable securities into units of the REIT	Issuance of Units	18	**(792)**	(9,559)
			(792)	**(9,559)**
Assets				
Acquisition fees capitalized for the year	Investments in joint ventures or in subsidiaries	D	**-**	429
Acquisition fees capitalized for the year	Investment properties	E	**1,419**	-
			1,419	**429**
Liabilities				
Exchangeable securities issued for the year	Exchangeable securities	18	**1,501**	2,280
			1,501	**2,280**

(A) Asset management fees of $3,138 and $3,479 on December 31, 2019, and December 31, 2018, respectively, correspond to the asset management fees earned for the entire portfolio, including $1,512 and $1,532 attributable to assets held through joint -ventures. Since April 1, 2018, asset management fees have been reduced from 0.75% to 0.50% and calculated based on the book value of assets. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.
(B) Facility management fees represent 10% of the operating budget of buildings ($283) and a variable project management charge based on works completed ($190). These facility management fees are fully rechargeable to tenants.
(C) An annual property management fee (the "Property Management Fee") in an amount equal to 3.5% of the gross paid revenue from the REIT's properties, payable quarterly in arrears, approximately 90% of which is rebilled to tenants;
(D) See the transactions and balances with joint ventures entities below
(E) Includes fees to Inovalis SA of $755 and to an entity related to Inovalis SA of $664.

	Due from (to) Inovalis SA	
Inovalis and its subsidiaries	**As at December 31, 2019**	**As at December 31, 2018**
Assets		
Acquisition loan	**24,744**	25,719
Call option related to the acquisition loan	**9,124**	6,750
Trade and other receivables	**288**	848
	34,156	**33,317**
Liabilities		
Interest-bearing loan	**477**	-
Lease equalization loans	**2,019**	3,315
Distributions payable	**250**	249
Exchangeable securities	**9,562**	7,982
Trade and other payables	**1,202**	2,327
	13,510	**13,873**

Note 29 – Transactions with related parties (Cont'd)

Inovalis SA – Asset manager (Cont'd)

In performing its obligations under the Management Agreement, Inovalis SA is entitled to receive the following fees from the REIT:

A. An annual asset management fee (the "Annual Asset Management Fee") in the amount of 0.5% of the Historical Gross Purchase Price of the REIT's properties;
B. A facility management fee related to the management of service charges that are rebilled directly to tenants;
C. An annual property management fee (the "Property Management Fee") in an amount equal to 3.5% of the gross paid revenue from the REIT's properties, payable quarterly in arrears, approximately 90% of which is rebilled to tenants;

Certain service charge expenses and other costs are paid to third parties by Inovalis SA and its subsidiaries on behalf of the REIT and are reimbursed from time to time.

Joint ventures

The transactions and balances with joint ventures entities are summarized below:

Joint ventures	Financial statement line item	For the year ended December 31, 2019	For the year ended December 31, 2018
Management fees invoiced to joint ventures	Administration expenses	**1,512**	1,532
Acquisition fees [1]	Acquisition costs	**-**	100
Finance income	Finance income	**4,866**	5,091
		6,378	**6,723**

(1) An acquisition fee ("Acquisition Fee") in the amount of 1% of the purchase price of any property acquired by the REIT, payable in cash, on completion of each acquisition, provided that no such Acquisition Fee will be payable in respect of the acquisition of properties owned or managed by Inovalis SA.

		Due from joint ventures	
		As at December 31, 2019	As at December 31, 2018
Assets			
Loan receivable	Investments accounted for using the equity method	**45,489**	50,815
Interest receivables	Other current assets	**360**	354
Accounts receivable	Trade and other receivables	**507**	243
		46,356	**51,412**
Liabilities			
Balance of sale payable	Trade and other payables	**13,748**	-
		13,748	**-**

On December 18, 2019, the REIT acquired the Arcueil investment property from the Arcueil joint venture. Refer to note 6 for more details.

For more information on joint ventures, please refer to Note 8 – Investments in joint ventures.

Note 29 – Transactions with related parties (Cont’d)

Remuneration of key management personnel

The following table presents the remuneration of key management personnel, which for the purposes of this note are defined as the members of the board of trustees as well as the officers of CanCorpEurope. The appointed officers of the REIT are employed and remunerated by Inovalis SA rather than the REIT, and the costs of their services are not invoiced distinctly from the overall asset management fees.

	For the year ended December 31, 2019	For the year ended December 31, 2018
Wages, fees and other benefits	**(661)**	(276)
	(661)	**(276)**

Note 30 – Capital Management

The REIT’s objectives when managing capital is to safeguard the REIT’s ability to provide returns for unitholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The REIT considers its capital to include its unitholders’ equity, its mortgage loan, its lease liabilities, and the Exchangeable Securities, and Unitholders’ equity.

The terms of the REIT’s Declaration of Trust as amended at the special meeting of unitholders held January 20, 2016, stipulates that the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of the indebtedness, the total indebtedness of the REIT would be more than 60% of the REIT’s Gross Book Value (GBV). These stipulated limits are taken into consideration principally when planning the financing of acquisitions and when preparing corporate plans and budgets.

As outlined below, the REIT is meeting this objective in that its total indebtedness was 43.1 % of its GBV as at December 31, 2019 (2018 – 42.4 %).

	2019	2018
Investment properties	**478,700**	421,937
Investment properties classified as held for sale	**-**	39,030
Investment accounted for using the equity method	**100,782**	97,604
Acquisition loan	**24,744**	25,719
Gross book value	**604,226**	**584,290**
Mortgage loans - non-current	**130,162**	83,391
Mortgage loans - non-current classified as held for sale	**-**	19,523
Lease liabilities - non-current	**116,968**	120,547
Lease equalization loan - non-current	**343**	2,130
Mortgage loans - current	**4,198**	14,588
Lease liabilities - current	**6,910**	6,637
Lease equalization loan - current	**1,676**	1,185
Total indebtedness	**260,257**	**248,001**
Total indebtedness as a % of Gross Book Value	**43.1%**	42.4%

Note 31 – Commitments and guarantees

Commitments given

Guarantees provided by the REIT with respect to its long-term debts include a preferential claim held by mortgage lenders on the Veronese, Sablière, Baldi and Jeuneurs properties in the amount of €61,214 ($ 89,158).

The REIT also has a share pledge on the shares of the companies SCI Baldi and SCI Jeuneurs.

The companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3, SCI Baldi, SCI Veronese, SCI Sabliere and SCI Jeuneurs also need to comply with banking covenants. The Trust was in compliance with all covenants on December 31, 2019.

Second rank mortgages on the building was granted by the company SCI Sabliere and third and fourth row rank mortgages on the building were also granted by the company SCI Veronese.

Finally, the company SCI Metropolitain has granted a leasing cash reserve to the lessor (Locindus) for € 1,000 ($ 1,456) and the companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3 have set up a capex reserve for €2,700 ($ 3,933).

Tenant commitments received

The companies SCI Metropolitain, SCI Veronese, SCI Sabliere, Cancorp Trio 1, Cancorp Trio 2 and Cancorp Trio 3 received bank guarantees securing the rentals of certain tenants up to €2,310 ($ 3,364).

Note 32 – Geographical information

Total revenue by geographic region For the years ended December 31,	Rental income		Property operating cost recoveries		2019	2018
	2019	2018	2019	2018		
France	22,444	23,221	7,355	7,220	**29,799**	30,441
Germany	3,080	2,213	611	28	**5,904**	2,241
	25,524	**25,434**	**7,966**	**7,248**	**35,703**	**32,682**

Investment properties and investments in joint ventures by geographic region	As at December 31, 2019	As at December 31, 2018 As restated
France	**433,139**	446,263
Germany	**146,343**	73,278
	579,482	**519,541**
Germany - Asset as held for sale		39,030
	579,482	**558,571**

Note 33 – Cash flow information

	Note	2019	2018 restated (Note 34) Restated (Note 2)
Adjustments for non-cash items and other reconciling items:			
Gains or losses on disposal	*13*	**56**	-
Rent free period	*7*	**(141)**	926
Management fees paid in Exchangeable securities	*18*	**1,501**	2,280
Net change in fair value of investment properties	*7*	**(16,722)**	(335)
Net change in fair value of financial derivatives	-	**(815)**	(4,372)
Distributions recognized on Exchangeable securities	*18*	**708**	1,016
Net change in fair value of Exchangeable securities	*18*	**871**	(1,482)
Net change in fair value of Promissory notes	-	**5,438**	(1,020)
Finance income	*24*	**(8,848)**	(7,775)
Finance costs	*24*	**10,191**	10,274
Share of net earnings from investments in joint venture	*8*	**(11,782)**	(5,850)
Net unrealized exchange loss (gain)	-	**-**	(120)
Acquisition loan	*9*	**(803)**	-
		(20,346)	**(6,458)**
Working capital adjustments			
Increase in trade and other receivables	-	**(278)**	1,355
Decrease in financial current assets		**-**	1,069
Increase in tenant deposits	-	**(63)**	264
(Decrease) Increase in trade and other payables	-	**10,540**	(1,440)
		10,199	**1,248**

Cash and non-cash changes in liabilities arising from financing activities:

Liabilities	As at December 31, 2018	Cash-flows [2]	Acquisition of investment properties	Disposal of a part of interest	Issuance of exchangeable securities	Conversion into units	Foreign exchange movement	Fair value changes	As at December 31, 2019
Promissory notes	42,471	-	-	-	-	-	-	5,438	**47,909**
Exchangeable securities	7,982	-	-	-	1,501	(792)	-	871	**9,562**
Mortgage loans [1]	117,502	7,973	36,996	(18,730)	-	-	(9,381)	-	**134,360**
Lease liabilities	127,184	(59,352)	64,537	-	-	-	(8,491)	-	**123,878**
Lease equalization loans	3,315	(1,090)	-	-	-	-	(206)	-	**2,019**

(1) At December 31, 2018, $ 19,523 is presented in liabilities directly associated with assets held for sale

(2) Cash-flows includes issuance and repayment

Note 34 – Restatement of financial results

The consolidated financial statements for the year ended December 31, 2018 have been restated to recognize an increase of 10% in the withholding tax rate used for the calculation of the deferred income tax liability as at December 31, 2018 following the Double Taxation Treaty (the "New Treaty"), ratified by France in March 2018 and Luxembourg on July 2, 2019, and effective as of January 1, 2020.

As disclosed in Note 4, Critical Accounting judgement, an increase in the withholding tax rate in Luxembourg could have a significant impact in the calculation of the deferred income tax liability for the REIT and management is in the process of reviewing the legal status of its corporate structure in Luxembourg, namely CanCorpEurope (CCEU), to transform it into a regulated eligible entity, known as a Specialized investment fund (SIF), to benefit from a reduced withholding rate of 15%, on the basis of the provisions of the New Treaty .

Management had considered that it was probable as at December 31, 2018 that CCEU would obtain the necessary authorization allowing the conversion of CCEU into a SIF, which would result in the application of a reduced effective tax rate of 15%. Given that the regulatory approval required to convert to a SIF is considered a substantive process, the reduced effective tax rate should not have been considered in measuring the REIT's deferred taxes until such time as the regulatory approval is obtained. The application process to convert to a SIF is still ongoing as of the release date of these consolidated financial statements.

Note 34 – Restatement of financial results (Cont'd)

Consequently, the REIT retrospectively corrected its consolidated financial statements as at December 31, 2018 in order to apply the withholding tax rate of 25% applicable to non-regulated entities by increasing its deferred tax expense by $5,615 and deferred tax liabilities by $5,741 and by decreasing its share of net income in joint ventures by ($1,076), retained earnings by ($6,691) and accumulated other comprehensive income by ($149) for the year ended December 31, 2018.

Consolidated Balance Sheets

	For the year ended December 31, 2018		
Assets	**As restated**	**As previously reported**	**Restatement**
Non-current assets			
Investment properties	**421,937**	421,937	-
Investments in joint ventures	**97,604**	98,703	(1,099)
Deposit	**-**	-	-
Acquisition loan	**25,719**	25,719	-
Derivative financial instruments	**306**	306	-
Restricted cash	**1,644**	1,644	-
Total non-current assets	**547,210**	**548,309**	**(1,099)**
Current assets			
Trade receivables and other financial assets	**4,000**	4,000	-
Derivative financial instruments	**6,814**	6,814	-
Other current assets	**1,080**	1,080	-
Cash	**19,110**	19,110	-
Total current assets	**31,004**	**31,004**	**-**
Assets held for sale	**40,027**	**40,027**	**-**
Total assets	**618,241**	**619,340**	**(1,099)**
Liabilities and equity	**As restated**	**As previously reported**	**Restatement**
Non-current liabilities			
Mortgage loans	**83,391**	83,391	-
Finance lease liabilities	**120,547**	120,547	-
Lease equalization loans	**2,130**	2,130	-
Tenant deposits	**2,180**	2,180	-
Derivative financial instruments	**1,396**	1,396	-
Deferred tax liabilities	**14,169**	8,428	5,741
Exchangeable securities	**4,779**	4,779	-
Deferred income	**1,099**	1,099	-
Total non-current liabilities	**229,691**	**223,950**	**5,741**
Current liabilities			
Promissory notes	**42,471**	42,471	-
Mortgage loans	**14,588**	14,588	-
Finance lease liabilities	**6,637**	6,637	-
Lease equalization loans	**1,185**	1,185	-
Tenant deposits	**687**	687	-
Derivative financial instruments	**1,207**	1,207	-
Exchangeable securities	**3,203**	3,203	-
Trade and other payables	**7,145**	7,145	-
Deferred income	**4,394**	4,394	-
Total current liabilities	**81,517**	**81,517**	**-**
Liabilities directly associated with assets held for sale	**21,792**	**21,792**	**-**
Total liabilities	**333,000**	**327,259**	**5,741**
Equity			
Trust units	**207,442**	207,442	-
Retained earnings	**41,283**	47,974	(6,691)
Accumulated other comprehensive income	**35,997**	36,146	(149)
Total Unitholders' equity	**284,722**	**291,562**	**(6,840)**
Non-controlling interest	**519**	519	-
Total equity	**285,241**	**292,081**	**(6,840)**
Total liabilities and equity	**618,241**	**619,340**	**(1,099)**

Note 34 – Restatement of financial results (Cont'd)

Consolidated Statements of Earnings

	As restated	As previously reported (1)	Restatement
Rental income	**25 434**	25 434	-
Service charge income	**7 248**	7 248	-
Service charge expenses	**(9 668)**	(9 668)	-
Other revenues	**804**	804	-
Other property operating expenses	**(289)**	(289)	-
Net rental earnings	**23 529**	**23 529**	**-**
Administration expenses	**(5 223)**	(5 223)	-
Foreign exchange gain (loss)	**120**	120	-
Net change in fair value of investment properties	**335**	335	-
Share of net earnings from joint ventures	**5 850**	6 926	(1 076)
Operating earnings	**24 611**	**25 687**	**(1 076)**
Net change in fair value of financial derivatives	**4 372**	4 372	-
Net change in fair value of Exchangeable securities	**1 482**	1 482	-
Net change in fair value of Promissory notes	**1 020**	1 543	-
Finance income	**7 775**	7 775	-
Finance costs	**(10 274)**	(10 797)	-
Distributions on Exchangeable securities	**(1 016)**	(1 016)	-
Earnings before income taxes	**27 970**	**29 046**	**(1 076)**
Current income tax expense	**(131)**	(131)	-
Deferred income tax expense	**(12 234)**	(6 619)	(5 615)
Earnings for the year	**15 605**	**22 296**	**(6 691)**
Earnings (Loss) for the year attributable to :			
Non-controlling interest	**144**	144	-
Unitholders' of the Trust	**15 461**	22 152	(6 691)
	15 605	**22 296**	**(6 691)**

(1) Amortization of issuance costs on promissory notes has been reclassified from "Finance costs" to "Net change in fair value of Promissory notes" in the consolidated statement of earnings.

Consolidated Statements of Comprehensive income

	For the year ended December 31, 2018		
	As restated	As previously reported	Restatement
Earnings for the year	**15,605**	**22,296**	**(6,691)**
Other comprehensive income			
Items that may be reclassified subsequently to earnings :			
Net losses on derivatives designated as a hedge of the net investment in a foreign entity	(299)	(299)	-
Derivatives designated as cash flow hedges - Net gains (losses)	673	673	-
Change in cumulative translation adjustment account	11,209	11,358	(149)
Other comprehensive income for the year, net of tax	**11,583**	**11,732**	**(149)**
Total comprehensive income for the year	**27,188**	**34,028**	**(6,840)**
Total comprehensive income (loss) for the year attributable to :			
Non-controlling interest	166	166	-
Unitholders of the Trust	27,022	33,862	(6,840)
Total comprehensive income for the year	**27,188**	**34,028**	**(6,840)**

Note 34 – Restatement of financial results (Cont'd)

Consolidated Statements of Changes in Equity

	Retained earnings		
	As restated	**As previously reported**	**Restatement**
As at December 31, 2017	265,277	265,277	-
Issuance of units from exchangeable securities conversion	9,559	9,559	-
Distributions earned by or declared to Unitholders	(18,927)	(18,927)	-
Distributions under the Trust's reinvestment plan	2,144	2,144	-
	(7,224)	(7,224)	-
Net income for the year	15,605	22,296	(6,691)
Other comprehensive income	11,583	11,732	(149)
Comprehensive income	27,188	34,028	(6,840)
As at December 31, 2018	**285,241**	**292,081**	**(6,840)**

Consolidated Statements of Cash Flows

	For the year ended December 31, 2018		
	As restated	**As previously reported** (1)	**Restatement**
Operating activities			
Earning before income taxes	27 970	29 046	(1 076)
Interest received	8 198	8 198	-
Interest paid (on mortgage, lease liabilities and lease equalization loans)	(10 437)	(10 437)	-
Income tax paid	(131)	(131)	-
Distributions in respect of exchangeable securities paid in cash	(1 029)		-
Adjustments for non-cash items and other reconciling items	(6 458)	(7 534)	1 076
	18 113	**19 142**	**-**
Working capital adjustments	1 248	1 248	-
Net cash flows related to operating activities	**19 361**	**20 390**	**-**
Investing activities			
Investment properties (additions and capitalized letting fees)	(4 676)	(4 676)	-
Investments in joint ventures	(10 273)	(10 273)	-
Loan repayments received from joint ventures	1 850	1 850	-
Investment in acquisition loans	(454)	(454)	-
Net cash flows related to investing activities	**(13 553)**	**(13 553)**	**-**
Financing activities			
Distributions on Units paid in cash	(16 695)	(16 695)	-
Distributions in respect of exchangeable securities paid in cash	-	(1 029)	-
Proceeds from promissory notes net of transaction costs	20 225	20 225	-
Repayment of promissory notes	(479)	(479)	-
Repayment of mortgage loans and finance lease liabilities	(8 742)	(8 742)	-
Repayment of lease equalization loans	(1 261)	(1 261)	-
Net cash flows related to financing activities	**(6 952)**	**(7 981)**	**-**
Net increase (decrease) in cash	(1 144)	(1 144)	-
Effects of foreign exchange adjustments on cash	793	793	-
Cash at the beginning of the year	20 345	20 345	-
Cash at the end of the year	**19 994**	**19 994**	**-**
Cash at bank and on hand	*19 110*	*19 110*	-
Cash classified as held for sale	*884*	*884*	-
Cash at the end of the year	**19 994**	**19 994**	**-**

(1) *Distribution on exchangeables securities paid in cash has been reclassified from "Financing activities" to "Operating activities" in the consolidated statement of cash flows.*

Note 35 – Subsequent events

The recent outbreak of a novel and highly contagious from of coronavirus (“COVID19”), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the REIT, including the fair value of its property investments. The consolidated financial statements of the REIT are as of, and for the year ended, December 31, 2019 and the effects, directly or indirectly, resulting from COVID-19 are not reflected in such financial statements.

Corporate information

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Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

Inovalis has implemented a Distribution Reinvestment Plan ("**DRIP**"). By participating in the Plan, unitholders have cash distributions from Inovalis REIT reinvested in additional units as and when cash distributions are made with a "bonus" distribution of units equal to 3% of the amount of the cash distribution reinvested pursuant to the Plan.

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